



Bela Bela Local Municipality  
Annual financial statements  
for the year ended June 30, 2015

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Local Municipality
<b>Council</b>	
Mayor	Hon. M.L Nhlapo
Executive Councillors	Cllr S.E Maluleka (Speaker) Cllr R.M Radebe (Chief Whip) Cllr J.F Van der Merwe Cllr M.J Ngobeni
Councillors	Cllr M.D Senosha Cllr F.S Hlungwane Cllr G.T Malete Cllr M.N Ras Cllr K.B Alberts Cllr M.H Ledwaba Cllr M.J Sesane Cllr M.M Mononyane Cllr L.R Mpete Cllr P.M Aphane Cllr P.M Mahlangu Cllr T.E Mokonyane Cllr W.K.R Mokgethoa
<b>Grading of local authority</b>	Level 3
<b>Acting Chief Finance Officer (CFO)</b>	Mr.K Maposa
<b>Accounting Officer</b>	Mr. M.M Maluleka
<b>Registered office</b>	58 Chris Hani Drive Bela Bela
<b>Postal address</b>	Bela Bela Local Municipality Private Bag X1609 Bela Bela 0480
<b>Bankers</b>	Absa Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Moloto Attorneys Lenser and William Attorneys Mohale Incorporated Attorneys
<b>Published</b>	August 31, 2015

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
EPWP	Extended Public Works Programme

# **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the accounting officer endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 5 to 73, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2015 and were signed on its behalf by:

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**Mr. M.M Maluleka**  
**Accounting Officer**

# **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended June 30, 2015.

### **1. Review of activities**

#### **Main business and operations**

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

Net deficit of the municipality was R 44 732 898 (2014: surplus R 28 021 974).

### **2. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the year ended, 30 June 2015.

### **4. Submission of annual financial statements**

The financial statements were submitted 31 August 2015. The Municipality complied with the requirements of Section 126 of the Municipal Finance Management Act

### **5. Accounting policies**

The annual financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board.

### **6. Corporate governance**

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

#### **6.1 Fruitless and wasteful expenditure**

During the current financial year payments to the value of R122 were regarded as fruitless and wasteful expenditure. This was due to late payment of invoices to Eskom.

#### **6.2 Remuneration**

The remuneration of the Accounting Officer and section 56 managers are determined by the Upper Limits for senior managers.

#### **6.3 Audit Committee**

Mr. S.A.B Ngobeneni was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipality onto the audit committee.

# **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Officer's Report**

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### **6.4 Internal audit**

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

The chief internal auditor is Mr.M.C Kabe.

### **7. Bankers**

The municipality has its primary bank account with ABSA Bank Limited.

### **8. Auditors**

The municipality is audited by the Auditor General of South Africa

### **9. Public Private Partnership**

During the financial period under review, Bela Bela Local municipality did not enter into any Private Public Partnerships.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Financial Position as at June 30, 2015

Figures in Rand	Note(s)	2015	Restated 2014
<b>Assets</b>			
Current Assets			
Inventories	11	134 461	105 832
Trade and other receivables from exchange transactions	12	919 700	112 928
Receivables from non-exchange transactions	13	517 058	1 267 220
VAT	14	5 631 042	2 991 285
Consumer debtors from non-exchange transactions	15	14 198 712	11 203 004
Consumer debtors from exchange transactions	15	12 290 873	15 050 870
Receivables from exchange transactions	9	3 493 291	3 660 004
Agreements	10	889 344	3 975 883
Cash and cash equivalents	16	12 656 366	30 652 565
		<b>50 730 847</b>	<b>69 019 591</b>
Non-Current Assets			
Investment property	4	176 952 621	174 992 702
Property, plant and equipment	5	536 862 074	514 229 867
Intangible assets	6	2 063 602	2 130 110
Heritage assets	7	538 950	538 950
Receivables from exchange transactions	10	1 204 661	7 664 731
		<b>717 621 908</b>	<b>699 556 360</b>
<b>Total Assets</b>		<b>768 352 755</b>	<b>768 575 951</b>
<b>Liabilities</b>			
Current Liabilities			
Financial liabilities	19	3 278 875	375 474
Finance lease obligation	17	4 735 602	16 054
Trade and other payables from exchange transactions	22	71 665 929	22 084 122
Consumer deposits	23	5 473 413	5 531 705
Unspent conditional grants and receipts	18	-	292 682
Provisions	20	4 721 807	2 688 391
Unknown Deposits	21	4 196 948	3 687 463
		<b>94 072 574</b>	<b>34 675 891</b>
Non-Current Liabilities			
Financial liabilities	19	-	10 723 619
Finance lease obligation	17	1 754 489	27 438
Retirement benefit obligation	8	26 763 894	35 827 894
Provisions	20	18 943 648	15 770 064
		<b>47 462 031</b>	<b>62 349 015</b>
<b>Total Liabilities</b>		<b>141 534 605</b>	<b>97 024 906</b>
<b>Net Assets</b>		<b>626 818 150</b>	<b>671 551 045</b>
Accumulated surplus		626 818 150	671 551 045



# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
Service charges	26	113 075 095	115 763 329
Rental of facilities and equipment		1 113 795	998 416
Licences and permits		9 386 743	9 122 563
Administration and management fees received		1 139 387	905 489
Commissions received		72 982	45 543
Demand charges		956 487	1 363 874
Donations received		32 000	30 000
Other income		3 980 969	2 815 479
Town planning scheme		440 731	374 864
Interest received	32	8 217 447	4 673 523
Property rates	25	54 228 731	53 068 691
Government grants & subsidies		84 130 870	80 417 666
Fines	27	3 399 604	29 904 329
<b>Total revenue</b>		<b>280 174 841</b>	<b>299 483 766</b>
<b>Expenditure</b>			
Personnel	29	(89 432 846)	(75 955 809)
Remuneration of councillors	30	(5 896 940)	(5 801 381)
Depreciation and amortisation	34	(27 593 039)	(28 883 761)
Impairment loss/ Reversal of impairments		(2 310)	(383 478)
Finance costs	36	(6 956 553)	(3 309 616)
Debt impairment	31	(29 179 989)	(25 504 703)
Repairs and maintenance		(14 445 200)	(12 277 714)
Bulk purchases	38	(72 297 651)	(59 902 603)
Loss on disposal of assets		(997 844)	(20 786)
General expenses	28	(88 829 818)	(50 091 496)
<b>Total expenditure</b>		<b>(335 632 190)</b>	<b>(262 131 347)</b>
<b>Operating (deficit) surplus</b>		<b>(55 457 349)</b>	<b>37 352 419</b>
Fair value adjustments	33	1 959 918	1 772 020
Actuarial gain / (loss)	35	8 764 314	(11 102 465)
		<b>10 724 232</b>	<b>(9 330 445)</b>
<b>(Deficit) surplus for the year</b>		<b>(44 733 117)</b>	<b>28 021 974</b>

## Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at July 01, 2013</b>	<b>643 529 071</b>	<b>643 529 071</b>
Changes in net assets		
Surplus for the year	28 021 974	28 021 974
Total changes	28 021 974	28 021 974
Opening balance as previously reported	669 860 334	669 860 334
Adjustments		
Prior year adjustments - note 43	1 690 711	1 690 711
<b>Balance at July 01, 2014 as restated*</b>	<b>671 551 045</b>	<b>671 551 045</b>
Changes in net assets		
Deficit for the year	(44 732 898)	(44 732 898)
Total changes	(44 732 898)	(44 732 898)
<b>Balance at June 30, 2015</b>	<b>626 818 147</b>	<b>626 818 147</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	Restated 2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		144 794 978	125 334 559
Grants		83 838 188	80 710 091
Interest income		8 217 447	4 673 528
Other receipts		20 632 801	42 556 460
		<b>257 483 414</b>	<b>253 274 638</b>
<b>Payments</b>			
Employee costs		(104 393 786)	(68 561 504)
Suppliers		(121 812 645)	(132 283 655)
Finance costs		(6 956 553)	(3 309 616)
		<b>(233 162 984)</b>	<b>(204 154 775)</b>
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>24 320 430</b>	<b>49 119 863</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(50 225 024)	(14 513 920)
Actuarial gain / (loss)		8 764 314	(11 102 465)
Other movement PPE and Intangible		66 507	104 826
<b>Net cash flows from investing activities</b>		<b>(41 394 203)</b>	<b>(25 511 559)</b>
<b>Cash flows from financing activities</b>			
Repayment of financial liabilities		(7 820 217)	(375 473)
Movement in deposits		451 193	4 828 000
Finance lease payments		6 446 598	43 495
<b>Net cash flows from financing activities</b>		<b>(922 426)</b>	<b>4 496 022</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17 996 199)</b>	<b>28 104 326</b>
Cash and cash equivalents at the beginning of the year		30 652 565	2 548 239
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>12 656 366</b>	<b>30 652 565</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	145 752 805	(6 217 514)	<b>139 535 291</b>	113 075 095	<b>(26 460 196)</b>
Rental of facilities and equipment	1 616 264	-	<b>1 616 264</b>	1 113 795	<b>(502 469)</b>
Licences and permits	10 000 000	-	<b>10 000 000</b>	9 386 743	<b>(613 257)</b>
Administration and management fees received	2 324 986	-	<b>2 324 986</b>	1 139 387	<b>(1 185 599)</b>
Commissions received	16 368	-	<b>16 368</b>	72 982	<b>56 614</b>
Demand charges	3 758 146	-	<b>3 758 146</b>	956 487	<b>(2 801 659)</b>
Donation received	31 680	-	<b>31 680</b>	32 000	<b>320</b>
Sale of land	1 584 000	3 000 000	<b>4 584 000</b>	-	<b>(4 584 000)</b>
Other income	20 862 820	258 857	<b>21 121 677</b>	3 980 969	<b>(17 140 708)</b>
Traffic fines	-	6 000 000	<b>6 000 000</b>	-	<b>(6 000 000)</b>
Town planning scheme	550 000	-	<b>550 000</b>	440 731	<b>(109 269)</b>
Interest received	376 000	1 624 064	<b>2 000 064</b>	8 217 447	<b>6 217 383</b>
<b>Total revenue from exchange transactions</b>	<b>186 873 069</b>	<b>4 665 407</b>	<b>191 538 476</b>	<b>138 415 636</b>	<b>(53 122 840)</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	59 401 000	(5 602 163)	<b>53 798 837</b>	54 228 731	<b>429 894</b>
Government grants & subsidies	60 905 000	1 000 000	<b>61 905 000</b>	84 130 870	<b>22 225 870</b>

##### Transfer revenue

Fines	-	-	-	3 399 604	<b>3 399 604</b>
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<b>Total revenue from non-exchange transactions</b>	<b>120 306 000</b>	<b>(4 602 163)</b>	<b>115 703 837</b>	<b>141 759 205</b>	<b>26 055 368</b>
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<b>Total revenue</b>	<b>307 179 069</b>	<b>63 244</b>	<b>307 242 313</b>	<b>280 174 841</b>	<b>(27 067 472)</b>
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#### Expenditure

Personnel	(91 493 526)	(1 273 700)	<b>(92 767 226)</b>	(89 432 846)	<b>3 334 380</b>
Remuneration of councillors	(5 955 742)	(688 126)	<b>(6 643 868)</b>	(5 896 940)	<b>746 928</b>
Depreciation and amortisation	(12 040 000)	(15 560 727)	<b>(27 600 727)</b>	(27 593 039)	<b>7 688</b>
Impairment loss/ Reversal of impairments	-	-	-	(2 310)	<b>(2 310)</b>
Finance costs	(3 100 000)	(4 400 000)	<b>(7 500 000)</b>	(6 956 553)	<b>543 447</b>
Debt impairment	(10 000 000)	(19 213 797)	<b>(29 213 797)</b>	(29 179 989)	<b>33 808</b>
Repairs and maintenance	(19 778 175)	1 914 181	<b>(17 863 994)</b>	(14 445 200)	<b>3 418 794</b>
Bulk purchases	(73 063 600)	540 000	<b>(72 523 600)</b>	(72 297 651)	<b>225 949</b>
Contracted Services	(24 923 574)	(13 684 242)	<b>(38 607 816)</b>	(27 186 051)	<b>11 421 765</b>
General expenses	(56 624 833)	(5 091 370)	<b>(61 716 203)</b>	(61 643 767)	<b>72 436</b>

<b>Total expenditure</b>	<b>(296 979 450)</b>	<b>(57 457 781)</b>	<b>(354 437 231)</b>	<b>(334 634 346)</b>	<b>19 802 885</b>
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<b>Operating deficit</b>	<b>10 199 619</b>	<b>(57 394 537)</b>	<b>(47 194 918)</b>	<b>(54 459 505)</b>	<b>(7 264 587)</b>
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Loss on disposal of assets and liabilities	-	-	-	(997 844)	<b>(997 844)</b>
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Fair value adjustments	-	-	-	1 959 918	<b>1 959 918</b>
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## Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gain / (Loss)	-	-	-	8 764 314	<b>8 764 314</b>	
	-	-	-	<b>9 726 388</b>	<b>9 726 388</b>	
<b>Deficit before taxation</b>	<b>10 199 619</b>	<b>(57 394 537)</b>	<b>(47 194 918)</b>	<b>(44 733 117)</b>	<b>2 461 801</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>10 199 619</b>	<b>(57 394 537)</b>	<b>(47 194 918)</b>	<b>(44 733 117)</b>	<b>2 461 801</b>	

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The accounting policies are consistent with the previous period.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Available-for-sale financial assets

The municipality follows the guidance of GRAP 104 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

# **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Policies**

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### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

### **Useful lives of property plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

### **Post retirement benefits**

Payments to defined contribution and retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed state plans retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations will be performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds. The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-on-retirement, the surviving dependants may continue membership of the medical scheme. Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. In service members will receive a post employment subsidy of 70% of the contribution payable. All continuation members receive a 70% subsidy. Widow(er)s and orphans of continuation members are entitled to receive this same subsidy after the death of the primary member. Upon a member's death-in-service, the surviving dependants do not receive a subsidy.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates of 9.10% and 6.77% respectively.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows. In the event that different rates were used, clear indication of the rate and the reasons are given.

### **Allowance for debt impairment**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment determination is based on assessment of individual accounts.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.4 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or either land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion. Subsequent to initial recognition property plant is carried at cost less accumulated depreciation and any impairment losses.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are performed annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the Statement of Financial Performance as part of the surplus and deficit.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment properties.
- land held for a currently undetermined future use.
- a building owned and leased out under one or more operating leases
- leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- a building that is vacant but is held to be leased out under one or more operating leases.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the de-recognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Subsequent to initial recognition property plant is carried at cost less accumulated depreciation and any impairment losses.



# Bela Bela Local Municipality

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## Accounting Policies

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The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	15-60 years
Leasehold property	5 years
Plant and machinery	4 - 5 years
Furniture and fixtures	5 years
Motor vehicles	5 - 10 years
Office equipment	5 years
IT equipment	3 years
Computer software	2-5 years
Infrastructure	
• Roads and paving	5 -100 years
• Pedestrian Malls	20 - 30 years
• Electricity	10 - 60 years
• Water	10 - 80 years
• Sewerage	12 - 80 years
Community	
• Buildings	15 - 60 years
• Recreational Facilities	15 - 50 years
• Taxi ranks	10 - 40 years
• Stadiums	20 - 40 years
• Libraries	15 - 60 years
• Parks and gardens	10 - 50 years
• Other assets	7 - 20 years

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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Ancillary fleet equipment and security	15 years
Artwork	5 years
Other equipment	5 years
Land	indefinite
Communication equipment	10 - 15 years

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Subsequent to initial recognition intangible assets are carried at cost less accumulated depreciation and any impairment losses.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at that date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale,
- there is an intention to complete and use or sell it,
- there is an ability to use or sell it,
- it will generate probable future economic benefits or service potential,
- there are available technical, financial and other resources to complete the development and to use or sell the asset,
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years
Rights to use naturally occurring assets	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and held indefinitely for the benefit of present and future generations.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

# **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Policies**

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### **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### **Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

### **Impairment**

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

### **Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Receivables from exchange transactions  
Receivables from non-exchange transactions  
Cash and cash equivalent  
Agreements

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Trade and other payables from exchange transactions  
Consumer deposits  
Unknown deposits  
Financial liabilities  
Finance lease obligation

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

# **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

## **Accounting Policies**

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### **Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

### **Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:



## **Bela Bela Local Municipality**

Annual Financial Statements for the year ended June 30, 2015

### **Accounting Policies**

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If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Derecognition

#### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessee

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term. Any contingent rents are recognised separately as an expense in the period which they are incurred.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

# Bela Bela Local Municipality

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## Accounting Policies

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The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period which they are incurred.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

### Basis for estimates of future cash flows

In measuring value in use the municipality must:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or for the market in which the asset is used, unless a higher rate can be justified.

### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### Discount rate

The discount rate reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or

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Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.14 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:



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- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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## Accounting Policies

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### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Other long long-term employee benefits

The municipality provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the Municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### Interest and royalties

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. Revenue from traffic fines is recognised at a full amount on the issue of fines. Fines that are subject to settlement discount are measured using the Municipality's consideration on past history in assessing the likelihood of these discounts being taken up by debtors. Revenue is then measured at the fair value of the consideration received or receivable, net of estimated settlement discounts.

### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.19 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of a municipality directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2013), and include:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.25 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statements are prepared on the accrual basis of accounting.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.26 Commitments

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows::

- Commitments approved and contracted for
- Commitments approved but not yet contracted for

### 1.27 Budget information

The municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-14 to 30-Jun-15.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

### 1.28 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

### 1.29 Agreements

One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

#### Recognition

Agreements are recognised when a debtor enter into a payment arrangement with the municipality. The amount to be recognised in the financial statements as an agreement, for either less than 12 months or over 12 months, consists of the amount outstanding as receivables as at the reporting date.

#### Measurement

Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months. Agreements are measured at amortised cost, using the effective interest rate, less provision for impairment losses ..

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Accounting Policies

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### 1.30 Unknown deposits

Unknown deposits refer to amounts which were paid into municipal accounts without proper reference to be able to allocate amounts received to correct debtor accounts or relevant vote accounts.

#### Recognition

Once the payment is received, the municipality will try to trace the amount to allocate it to the correct debtors or vote account. After the municipality have exhausted all options, then the municipality will advertise to the public. Should the public not come to claim the amounts, then the municipality will classify the amount as liability.

#### Measurement

The amount of unknown deposits is valued at fair value of the amount actually received.

## 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following revised standard.

- GRAP 100

#### Nature

During the year, the municipality changed its accounting policy with respect to the treatment of non current assets held for sale (GRAP 100). The municipality no longer reclassify property, plant and equipment as non current assets held for sale. The standard now requires assets that are available for sale to be classified as property plant and equipment and be treated as such until date of sale.

The change in accounting policy is made in accordance with GRAP 100 transitional provisions as follows:

(a) Changes to the way in which non-current assets held for sale are measured, shall be applied prospectively at the beginning of the period in which these amendments are adopted.

(b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended June 30, 2014 is as follows:

#### Statement of financial position

##### Property, plant and equipment

Previously stated	-	512 499 103
Adjustment	-	2 456 902
	-	<b>514 956 005</b>

##### Non current assets held for sale

Previously stated	-	2 456 902
Adjustment	-	(2 456 902)
	-	-

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

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### 3. New standards and interpretations

#### 3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul>	April 01, 2016	No material impact
<ul style="list-style-type: none"><li>GRAP32: Service Concession Arrangements: Grantor</li></ul>	April 01, 2015	No material impact
<ul style="list-style-type: none"><li>GRAP108: Statutory Receivables</li></ul>	April 01, 2015	No material impact
<ul style="list-style-type: none"><li>IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li></ul>	April 01, 2015	No material impact

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	181 101 311	(4 148 691)	176 952 621	181 101 311	(6 108 609)	174 992 702

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	174 992 702	1 959 918	176 952 620

#### Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	173 368 943	1 623 759	174 992 702

### Pledged as security

The Municipality does not have any assets pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	72 398 461	(36 862 114)	35 536 347	71 933 561	(34 827 882)	37 105 679
Plant and machinery	862 221	(669 185)	193 036	1 073 652	(732 945)	340 707
Furniture and fixtures	3 689 137	(2 736 430)	952 707	3 461 203	(2 583 414)	877 789
Motor vehicles	-	-	-	9 595 000	(7 658 570)	1 936 430
Office equipment	13 109 635	(5 076 098)	8 033 537	3 785 920	(2 670 465)	1 115 455
Infrastructure	879 044 974	(468 150 643)	410 894 331	873 549 543	(451 181 039)	422 368 504
Community	63 562 560	(35 247 770)	28 314 790	64 093 453	(34 247 158)	29 846 295
Other property, plant and equipment	44 693 777	-	44 693 777	10 498 604	-	10 498 604
Emergency equipment	77 724	(53 255)	24 469	78 579	(43 869)	34 710
Recreational facilities	22 299 190	(14 080 110)	8 219 080	34 448 446	(24 342 752)	10 105 694
<b>Total</b>	<b>1 099 737 679</b>	<b>(562 875 605)</b>	<b>536 862 074</b>	<b>1 072 517 961</b>	<b>(558 288 094)</b>	<b>514 229 867</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Derecognition (cost)	Impairment loss	Derecognition impairment	Transfers	Depreciation	Derecognition (acc depr)	Total
Buildings	37 105 679	464 900	-	-	-	-	(2 034 232)	-	35 536 347
Plant and machinery	340 707	55 745	(267 176)	-	-	-	(143 707)	207 467	193 036
Furniture and fixtures	877 789	536 353	(308 419)	-	-	-	(425 482)	272 466	952 707
Motor vehicles	1 936 430	-	(9 595 000)	-	-	-	(139 742)	7 798 312	-
Office equipment	1 115 455	11 588 609	(2 264 894)	-	-	-	(4 350 932)	1 945 299	8 033 537
Infrastructure	422 368 504	6 901 535	(1 406 102)	(2 310)	126 618	-	(18 003 648)	909 734	410 894 331
Community	29 846 295	180 308	(711 202)	-	-	-	(1 511 604)	510 993	28 314 790
Other property, plant and equipment	10 498 604	41 741 915	-	-	-	(7 546 742)	-	-	44 693 777
Emergency equipment	34 710	-	(855)	-	-	-	(10 156)	770	24 469
Recreational facilities	10 105 694	-	(12 149 256)	-	-	-	(907 029)	11 169 671	8 219 080
	<b>514 229 867</b>	<b>61 469 365</b>	<b>(26 702 904)</b>	<b>(2 310)</b>	<b>126 618</b>	<b>(7 546 742)</b>	<b>(27 526 532)</b>	<b>22 814 712</b>	<b>536 862 074</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Derecognition (cost)	Depr on derecognition	Depreciation	Impairment loss	Total
Buildings	27 429 184	11 783 719	-	-	-	(2 107 224)	-	37 105 679
Plant and machinery	461 898	75 426	-	-	8 588	(205 205)	-	340 707
Furniture and fixtures	1 403 956	152 958	-	1 122	815	(681 062)	-	877 789
Motor vehicles	4 285 672	-	-	-	(878 920)	(1 470 322)	-	1 936 430
Office equipment	765 380	278 616	-	464 679	126 166	(519 386)	-	1 115 455
Infrastructure	440 574 396	3 121 554	-	-	-	(20 943 968)	(383 478)	422 368 504
Community	31 640 474	-	-	-	-	(1 794 179)	-	29 846 295
Other property, plant and equipment	11 366 151	15 285 179	-	(16 152 726)	-	-	-	10 498 604
Emergency equipment	19 573	28 800	-	-	-	(13 663)	-	34 710
Recreational Facilities	9 994 701	1 247 453	(233 847)	213 061	-	(1 115 674)	-	10 105 694
	<b>527 941 385</b>	<b>31 973 705</b>	<b>(233 847)</b>	<b>(15 473 864)</b>	<b>(743 351)</b>	<b>(28 850 683)</b>	<b>(383 478)</b>	<b>514 229 867</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### Pledged as security

The municipality does not have any assets pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 617 886	(199 947)	1 417 939	1 617 886	(133 439)	1 484 447
Rights to use naturally occurring assets	645 663	-	645 663	645 663	-	645 663
<b>Total</b>	<b>2 263 549</b>	<b>(199 947)</b>	<b>2 063 602</b>	<b>2 263 549</b>	<b>(133 439)</b>	<b>2 130 110</b>

#### Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	1 484 447	(66 508)	1 417 939
Rights to use naturally occurring assets	645 663	-	645 663
	<b>2 130 110</b>	<b>(66 508)</b>	<b>2 063 602</b>

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	1 441 011	78 308	(34 872)	1 484 447
Rights to use naturally occurring assets	645 663	-	-	645 663
	<b>2 086 674</b>	<b>78 308</b>	<b>(34 872)</b>	<b>2 130 110</b>

### 7. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	538 950	-	538 950	538 950	-	538 950

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	538 950	538 950



# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Reconciliation of heritage assets 2014</b>		
	<b>Opening balance</b>	<b>Total</b>
Historical buildings	538 950	538 950

### 8. Retirement benefit obligations

#### Post retirement Health Care Benefits Liability

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(35 827 894)	(22 632 206)
Benefits paid	1 022 000	1 021 000
Current service costs	(2 182 987)	(2 472 000)
Net actuarial gains or losses	13 437 934	(9 949 688)
Interest costs	(3 212 947)	(1 795 000)
	<b>(26 763 894)</b>	<b>(35 827 894)</b>

The municipality provides certain post retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Hildegard Wilson, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants.

#### The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service members (Employees)	159	191
Continuation members	26	29

#### Net expense recognised in the statement of financial performance

Current service cost	2 182 987	2 472 000
Interest cost	3 212 947	1 795 000
Actuarial (gains) losses	(13 437 934)	(9 949 688)
	<b>(8 042 000)</b>	<b>(5 682 688)</b>

#### The liability in respect of past service has been estimated as follows:

In-service members (Employees)	14 937 000	23 352 975
Continuation members	11 827 000	12 474 919
	<b>26 764 000</b>	<b>35 827 894</b>

The municipality makes monthly contributions of health care arrangements to the following medical aid schemes:

- Keyhealth
- Bonitas
- Hosmed
- Samwumed
- LA Health

The current service cost for the year ending 30 June 2015 is estimated to be R 2 182 987 (2014 R2 472 000).

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	7.78 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	5.99 %
Normal salary increase rate	6.79 %	6.79 %
Net effective discount rate	Yield curve based	0.74 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

### Movement in the present value of the defined benefit obligation are as follows:

Opening balance	13 106 216	20 670 206
Net expense recognised in the statement of financial performance	(7 952 000)	(7 563 990)
<b>Present value of fund obligation at the end of the year</b>	<b>5 154 216</b>	<b>13 106 216</b>

### The amounts recognised in the Statement of Financial Performance

Current service cost	2 182 987	2 472 000
Interest cost	3 212 947	1 795 000
Actuarial (gains) losses	(13 347 934)	(9 949 688)
	<b>(7 952 000)</b>	<b>(5 682 688)</b>

### The history of experienced adjustments is as follows:

Present value of Defined Benefit Obligation	26 764 000	35 827 894
	<b>26 764 000</b>	<b>35 827 894</b>

### The Liability in respect of past service has been estimated as follows:

### Changes in the fair value of plan assets are as follows:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### The liability in respect of past service has been estimated as follows:

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R267 639 for current service cost and R180 406 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	270 315	264 963
Effect on defined benefit obligation	182 210	178 602
<b>Total</b>	<b>452 525</b>	<b>443 565</b>

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	4 403 000	2 527 592	2 050 334	1 610 516	1 547 642
Surplus/(deficit) of defined benefit obligation	4 403 000	2 527 592	2 050 334	1 610 516	1 547 642

### 9. Receivables from exchange transactions

Cash suspense RD	1 057 349	1 057 349
VAT suspense	2 210 487	-
Other receivables	225 456	2 602 655
<b>Total</b>	<b>3 493 291</b>	<b>3 660 004</b>

### 10. Agreements

Agreements consist of consumer debtors payment arrangements. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

Short term agreements	889 344	3 975 883
Long term agreements	1 204 661	7 664 731
<b>Total</b>	<b>2 094 005</b>	<b>11 640 614</b>

### 11. Inventories

Water	134 461	105 832
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#### Inventory pledged as security

No Inventory was pledged as security.

### 12. Trade and other receivables from exchange transactions

Sundry debtors	837 463	-
WDM fire fighting	82 237	112 928
<b>Total</b>	<b>919 700</b>	<b>112 928</b>

### 13. Receivables from non-exchange transactions

Fines	26 340 945	25 176 823
Allowance for impairment	(25 823 887)	(23 909 603)
<b>Total</b>	<b>517 058</b>	<b>1 267 220</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	(23 909 603)	-
Provision for impairment	(1 914 284)	(23 909 603)
	<b>(25 823 887)</b>	<b>(23 909 603)</b>
<b>14. VAT receivable</b>		
VAT	5 631 042	2 991 285
<b>15. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	61 306 012	57 428 286
Electricity	6 829 871	9 293 596
Water	11 609 969	19 728 143
Sewerage	3 303 075	4 954 944
Refuse	3 033 757	4 981 688
Other	38 666 546	48 688 732
	<b>124 749 230</b>	<b>145 075 389</b>
<b>Less: Allowance for impairment</b>		
Rates	(47 107 299)	(46 225 282)
Electricity	(3 854 238)	(6 915 945)
Water	(9 980 016)	(17 876 212)
Sewerage	(2 789 712)	(4 166 215)
Refuse	(2 575 894)	(4 281 432)
Other	(31 952 484)	(39 356 429)
	<b>(98 259 643)</b>	<b>(118 821 515)</b>
<b>Net balance</b>		
Rates	14 198 712	11 203 004
Electricity	2 975 634	2 377 651
Water	1 629 138	1 851 931
Sewerage	513 362	788 729
Refuse	457 863	700 256
Other	6 714 876	9 332 303
	<b>26 489 585</b>	<b>26 253 874</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	2 975 634	2 377 651
Water	1 629 138	1 851 931
Sewerage	513 362	788 729
Refuse	457 863	700 256
Other	6 714 876	9 332 303
	<b>12 290 873</b>	<b>15 050 870</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	14 198 712	11 203 004
<b>Net balance</b>	<b>26 489 585</b>	<b>26 253 874</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Rates</b>		
Current (0 -30 days)	17 848 019	9 743
31 - 60 days	1 806 726	4 444 787
61 - 90 days	1 327 641	2 406 224
91 - 120 days	1 375 355	2 026 904
121 - 365 days	6 686 194	1 859 503
> 365 days	32 262 078	46 681 124
	<b>61 306 012</b>	<b>57 428 286</b>
<b>Electricity</b>		
Current (0 -30 days)	3 666 452	21 735
31 - 60 days	93 756	3 412 248
61 - 90 days	80 547	503 332
91 - 120 days	334 363	401 771
121 - 365 days	568 249	319 577
> 365 days	2 086 504	4 634 933
	<b>6 829 871</b>	<b>9 293 596</b>
<b>Water</b>		
Current (0 -30 days)	1 310 523	25 990
31 - 60 days	444 765	2 041 205
61 - 90 days	341 635	1 108 656
91 - 120 days	270 884	647 307
121 - 365 days	1 554 063	766 532
> 365 days	7 688 100	15 837 637
	<b>11 609 969</b>	<b>19 728 143</b>
<b>Other</b>		
Current (0 -30 days)	3 751 456	3 868 993
31 - 60 days	1 761 517	6 101 226
61 - 90 days	957 097	1 479 689
91 - 120 days	1 668 314	1 643 863
121 - 365 days	5 149 176	1 139 435
> 365 days	25 378 988	34 455 526
	<b>38 666 547</b>	<b>48 688 732</b>
<b>Sewerage</b>		
Current (0 -30 days)	448 801	78
31 - 60 days	138 182	485 430
61 - 90 days	103 054	253 592
91 - 120 days	93 664	203 002
121 - 365 days	498 997	173 359
> 365 days	2 020 376	3 839 483
	<b>3 303 075</b>	<b>4 954 944</b>
<b>Refuse</b>		
Current (0 -30 days)	428 821	258
31 - 60 days	121 815	461 323
61 - 90 days	89 684	248 705
91 - 120 days	79 490	197 691
121 - 365 days	437 876	169 430
> 365 days	1 876 070	3 904 282
	<b>3 033 757</b>	<b>4 981 688</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Summary of debtors by customer classification</b>		
<b>Government</b>		
Current (0 -30 days)	3 795 024	118 836
31 - 60 days	389 180	844 526
61 - 90 days	278 432	431 708
91 - 120 days	201 082	292 394
121 - 365 days	1 243 971	245 038
> 365 days	4 493 444	6 918 509
	<b>10 401 133</b>	<b>8 851 011</b>
<b>Business</b>		
Current (0 -30 days)	5 956 146	2 423 573
31 - 60 days	891 021	4 596 760
61 - 90 days	628 799	1 361 664
91 - 120 days	880 340	960 345
121 - 365 days	3 495 012	848 463
> 365 days	20 037 444	22 475 177
	<b>31 888 762</b>	<b>32 665 982</b>
<b>House holds</b>		
Current (0 -30 days)	8 880 496	1 280 499
31 - 60 days	2 279 739	7 518 906
61 - 90 days	1 334 871	2 987 464
91 - 120 days	1 877 024	2 738 455
121 - 365 days	6 790 461	2 263 218
> 365 days	30 197 658	55 746 215
	<b>51 360 249</b>	<b>72 534 757</b>
<b>Other</b>		
Current (0 -30 days)	8 822 407	103 888
31 - 60 days	806 822	3 986 027
61 - 90 days	657 557	1 219 363
91 - 120 days	863 624	1 129 345
121 - 365 days	3 365 111	1 071 117
> 365 days	16 583 569	24 213 082
	31 099 090	31 722 822
	<b>124 749 230</b>	<b>145 075 390</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(118 821 515)	(117 226 416)
Debt impairment written off against allowance	20 561 871	(1 595 099)
	<b>(98 259 644)</b>	<b>(118 821 515)</b>

### 16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	-
Bank balances	907 833	1 932 807
Short-term deposits	11 746 533	28 719 758
	<b>12 656 366</b>	<b>30 652 565</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Credit quality of cash at bank and short term deposits, excluding unspent conditional grant</b>		
<b>Credit rating</b>		
Investment	11 746 533	28 719 758
Cash and cash equivalent	2 051 978	7 789 972
Total cash	<b>13 798 511</b>	<b>36 509 730</b>
Less: Unspent Conditional Grant	-	(292 682)
	<b>13 798 511</b>	<b>36 217 048</b>

See note 25 for reconciliation of grants

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral	800 000	800 000
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### Local Guarantees

The above guarantee is pledged to Eskom by means of the ABSA Bank Call account with the number 2066701092. The valuation amount for the current year ended 30 June 2015: R800 000 (2014: R800 000).

### Current Account (Primary Bank Account)

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
ABSA BANK - Current Account - 1330000062	2 051 978	7 428 239	1 834 455	906 729	1 571 073	(511 686)
ABSA BANK - Call Account - 4078360937	1 104	361 733	401 526	1 104	361 733	401 526
<b>Total</b>	<b>2 053 082</b>	<b>7 789 972</b>	<b>2 235 981</b>	<b>907 833</b>	<b>1 932 806</b>	<b>(110 160)</b>

### Call deposits

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
ABSA BANK - Call Account - 9079442012	-	1 085 760	1 055 836	-	1 085 760	1 055 836
ABSA BANK - Call Account - 4073741532	-	-	281 657	-	-	281 657
ABSA BANK - Call Account - 4078462834	54 128	-	269 014	54 128	-	269 014
ABSA BANK - Account Type - Deposit - 2066701092	800 000	800 000	800 000	800 000	800 000	800 000
FNB Limited - Call Account - 6204584148	261 629	254 988	249 892	261 629	254 988	249 892
Petty Cash	-	-	2 000	-	-	2 000
ABSA BANK - Call Account - 9295746149	2 147	16 001	-	2 147	16 001	-
ABSA BANK - Call Account - 9295745884	2 281	16 450 119	-	2 281	16 450 119	-
NEDBANK - Call Account - 03-7881110678	10 620 384	10 112 890	-	10 620 384	10 112 890	-
ABSA BANK - Call Account - 4073741532	3 960	-	-	3 960	-	-
ABSA BANK - Call Account - 9296620730	2 005	-	-	2 005	-	-
<b>Total</b>	<b>11 746 534</b>	<b>28 719 758</b>	<b>2 658 399</b>	<b>11 746 534</b>	<b>28 719 758</b>	<b>2 658 399</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Total cash and cash equivalents</b>	<b>13 799 616</b>	<b>36 509 730</b>
	<b>12 656 366</b>	<b>30 652 565</b>
<b>17. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	5 221 469	20 068
- in second to fifth year inclusive	1 794 880	29 663
- later than five years	-	-
	7 016 349	49 731
less: future finance charges	(526 258)	(6 239)
<b>Present value of minimum lease payments</b>	<b>6 490 091</b>	<b>43 492</b>
Non-current liabilities	1 754 489	27 438
Current liabilities	4 735 602	16 054
	<b>6 490 091</b>	<b>43 492</b>

Bela-Bela Local Municipality has leased computer equipment from BIG Time Strategic sourcing. The monthly lease payment is R372 446 with a 10% annual increment. The lease agreement is for the period of 36 month from 01 November 2013 to 31 October 2016. Ownership will pass to the Municipality after the expiry of lease contract

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

FMG Grant	(33)	-
Municipal System Infrastructure Grant (MSIG)	268	272
Department of Water and Forestry Grant (DWAF)	105	-
Disaster Management Grant	(234)	292 410
Expanded Public Works Programme (EPWP)	(106)	-
	-	<b>292 682</b>

#### Movement during the year

Balance at the beginning of the year	292 682	257
Additions during the year	81 330 302	80 710 092
Income recognition during the year	(81 622 984)	(80 417 667)
	-	<b>292 682</b>

See note 26 for reconciliation of grants from National/Provincial Government.

### 19. Financial liabilities

#### At amortised cost

INCA Loan 00-003-7509	3 278 876	11 099 093
Interest rate 0%, monthly repayment R1 092 958.37. Settlement date 30 September 2015		

#### Non-current liabilities

At amortised cost	-	10 723 619
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#### Current liabilities

At amortised cost	3 278 875	375 474
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# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 20. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Rehabilitation of landfill site	15 770 064	3 173 584	18 943 648
Performance bonus	160 797	158 008	318 805
Long service award provision	2 527 592	1 875 410	4 403 002
	<b>18 458 453</b>	<b>5 207 002</b>	<b>23 665 455</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Rehabilitation of landfill site	14 568 729	1 201 335	15 770 064
Performance bonus	96 278	64 519	160 797
Long service award provision	2 050 334	477 258	2 527 592
	<b>16 715 341</b>	<b>1 743 112</b>	<b>18 458 453</b>
Non-current liabilities		18 943 648	15 770 064
Current liabilities		4 721 807	2 688 391
		<b>23 665 455</b>	<b>18 458 455</b>

#### Rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2015 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 4.1306% (2014: 6.2663%), discount rate of 3.6713% (2014: 8.5163%) and net effective discount rate of 2.25% (2014: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision.

#### Provision for rehabilitation of landfill sites:

##### Carrying value

Balance at the beginning of the year	15 770 064	14 568 729
Change in provision for landfill closure	2 839 681	891 419
Interest charge	333 327	309 916
<b>Total Recognised Liability</b>	<b>18 943 072</b>	<b>15 770 064</b>

#### Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Hildegard Wilson, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

For the year ended 30 June 2015, 373 (2014: 324) employees were eligible for long service awards.

The current service cost for the year ending 30 June 2015 is estimated to be R 267 639 (2014: R 234 989).

#### The principal assumptions used for the purpose of the actuarial valuations were as follows:

Discount rate used	7.78 %	7.78 %
Salary increase rate	6.79 %	6.99 %

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Net effective discount rate	0.74 %	0.74 %

**Movement in the present value of the defined benefit obligation were as follows:**

<b>Carrying value</b>		
Balance at the beginning of the year	2 527 592	2 050 334
Current service costs	267 639	234 989
Interest cost	180 406	146 366
Benefits paid	(406 000)	(160 793)
Actuarial losses	1 833 363	256 696
<b>Total recognised benefit liability</b>	<b>4 403 000</b>	<b>2 527 592</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	2 839 681	891 419
Interest cost	333 327	309 916
<b>Total post retirement benefit included in employee related costs</b>	<b>3 173 008</b>	<b>1 201 335</b>

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R2 839 681 for current service cost and R333 327 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 868 078	2 811 284
Effect on defined benefit obligation	336 660	329 994
	<b>3 204 738</b>	<b>3 141 278</b>

Amounts for the current and previous year are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	4 403 000	2 527 592	2 050 334	1 610 516	1 547 642
Plan assets	-	-	-	-	-
Surplus (deficit)	<b>4 403 000</b>	<b>4 403 000</b>	<b>2 050 334</b>	<b>1 610 516</b>	<b>1 547 642</b>

### 21. Unknown deposit

Unknown deposits	4 196 948	3 687 463
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Deposits received in our bank account but we are unable to track who paid it and why.

### 22. Trade and other payables from exchange transactions

Trade payables	30 334 378	732 389
Payments received in advanced	19 279 899	10 540 369
Year end accruals	7 930 745	1 984 661
Accrued leave pay	6 215 221	5 100 892
Accrued bonus	1 780 891	1 608 549
Accrued payroll expenses	2 372 658	-
Retention creditors	3 313 220	1 462 661
Other Creditors	-	654 601
Deposits on sale of land	438 917	-
	<b>71 665 929</b>	<b>22 084 122</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 23. Consumer deposits

Deposit recieved	5 473 413	5 531 705
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### 24. Revenue

Service charges	113 075 095	115 763 329
Rental of facilities and equipment	1 113 795	998 416
Licences and permits	9 386 743	9 122 563
Administration and management fees received	1 139 387	905 489
Commissions received	72 982	45 543
Demand charges	956 487	1 363 874
Donations received	32 000	30 000
Other income	3 980 969	2 815 479
Town planning scheme	440 731	374 864
Interest received	8 217 447	4 673 523
Property rates	54 228 731	53 068 691
Government grants & subsidies	84 130 870	80 417 666
Fines	3 399 604	29 904 329
	<b>280 174 841</b>	<b>299 483 766</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	113 075 095	115 763 329
Rental of facilities and equipment	1 113 795	998 416
Licences and permits	9 386 743	9 122 563
Administration and management fees received	1 139 387	905 489
Commissions received	72 982	45 543
Demand charges	956 487	1 363 874
Donations received	32 000	30 000
Other income	3 980 969	2 815 479
Town planning scheme	440 731	374 864
Interest received	8 217 447	4 673 523
	<b>138 415 636</b>	<b>136 093 080</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	54 228 731	53 068 691
<b>Transfer revenue</b>		
Government grants & subsidies	84 130 870	80 417 666
Traffic fines	3 399 604	29 904 329
	<b>141 759 205</b>	<b>163 390 686</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>25. Property rates</b>		
<b>Rates received</b>		
Property rates	54 228 731	53 068 691

### Valuations

Valuations of properties are performed every 4 years. The last general valuation came into effect on 1 July 2012. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions, consolidations and other alterations as stipulated in the Municipal Property Rates Act.

The rate randages are as follows:

Farms is R0.0113

Residential properties R0.0113

Government properties R0.0133

Business / Industrial R0.0133 and

Vacant land R0.0133

### 26. Service charges

Sale of electricity	84 201 376	84 137 611
Sale of water	17 522 872	18 779 788
Solid waste	5 468 562	6 029 531
Sewerage and sanitation charges	5 882 285	6 816 399
	<b>113 075 095</b>	<b>115 763 329</b>

Service charge revenue had decline by 2% from 2014. The reduction in revenue is due to the following reasons:  
Electricity charge -municipality had experienced high bypass or illegal connection by the residents which led to loss of revenue.

Additional to the above, on the 08 September 2014 the prepaid system crashed/experienced a breakdown. Upon investigation which was conducted, it was found that the database for the system was corrupt meaning it was no longer usable due prepaid system was running on an old computer desk top was malfunction of the hard drive, electronic failure and power surges and mechanical or internal failure.

When the migration was done to rectify the system error the old tariffs was also moved to the new system instead of the new tariff which was updated on 30 June 2014 for implementation of the new tariffs as approved by Council and Nersa. It was discovered on the 25 June 2015 that the old tariffs for the 2013/2014 financial year were used for the period 01 October 2014 to 25 June 2015 instead of tariffs for the 2014/2015 financial year which resulted on financial loss.

Water charge -water consumption from 2014 to 2015 had decline as a result of faulty meters.

Municipality had embarked on a several strategy which will ensure the findings identified above are eliminated going forward. Revenue section has started with data cleansing and drafting of revenue enhancement strategy, such as conducting monthly programs to investigate illegal connection, tightening of financial system controls and intergration of prepaid system together with financial system.

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# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Operating grants</b>		
Equitable share	54 332 000	59 949 000
Finance Management Grant	1 600 047	1 550 000
Municipal System Improvement Grant	934 004	889 985
Department of Water Affairs	999 895	1 000 000
SETA	148 302	192 681
Extended Public Works Program	1 123 106	1 000 000
Disaster Management Grant	292 644	-
	<b>59 429 998</b>	<b>64 581 666</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	24 700 872	15 836 000
	<b>24 700 872</b>	<b>15 836 000</b>
	<b>84 130 870</b>	<b>80 417 666</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Finance Management Grant

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 033)	(1 550 000)
	<b>(33)</b>	<b>-</b>

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:

- Appointment of an appropriately skilled municipal manager and CFO
- Appointment of at least two interns for purposes of building future financial management capacity
- Council resolution committing council to reforms
- Submission of primary bank account details
- Development of an action plan for implementation
- Monthly reporting on performance

### Municipal System Improvement Grant

Balance unspent at beginning of year	272	272
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 004)	(889 985)
	<b>268</b>	<b>272</b>

Municipal Systems Improvement Grant (MSIG) deals with transfers to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems

### Department of Water and Forestry Grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(999 895)	(1 000 000)
	<b>105</b>	<b>-</b>

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment, through effective policies, integrated planning, strategies, knowledge base and procedures.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Housing Grant</b>		
This grants is received from Provincial Government for the construction of houses		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	22 193 000	15 836 000
Conditions met - transferred to revenue	(22 193 000)	(15 836 000)
	-	-

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

- Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.
- Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.
- Equity in the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.

### SETA Grant

Current-year receipts	78 492	192 681
Conditions met - transferred to revenue	(78 492)	(192 681)
	-	-

The grant is utilise for training of officials in the municipality.

### Disaster Management Grant

Balance unspent at beginning of year	292 410	292 410
Current-year receipts	(292 644)	-
	(234)	292 410

Conditions still to be met - remain liabilities (see note 18).

The grant is utilised to fund relief operations after disasters within the jurisdiction of the municipality. The municipality were declared a disaster in March 2014.

### Extended Public Works Program

Current-year receipts	1 123 000	1 000 000
Conditions met - transferred to revenue	(1 123 106)	(1 000 000)
	(106)	-

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

### 27. Fines

Traffic fines	3 399 604	29 904 329
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The measurement of traffic fines at initial recognition has changed from an estimated revenue amount based on past experience of amounts collected to the full amount recognition on the issue of fines. The speed cameras were not working for the major part of the financial year resulting in material reduction on traffic fines revenue.

## Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

### Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>28. General expenses</b>		
Advertising	895 342	691 436
Auditors remuneration	3 206 430	3 684 594
Bank charges	1 831 314	1 714 166
Cleaning	162 335	101 470
Consulting and professional fees	8 894 677	7 857 039
Debt collection	6 015 307	498 784
Donations	130 888	-
Entertainment	15 490	46 272
Internal audit	143 754	76 645
Insurance	21 937	18 070
IT expenses	2 053 321	1 919 063
Lease rentals on operating lease	23 664 578	4 122 426
Fuel and oil	2 643 166	2 830 754
Recruitment costs	57 571	101 142
Postage and courier	383 119	480 880
Printing and stationery	519 915	546 497
Research and development costs	271 916	153 122
Staff welfare	67 786	72 827
Subscriptions and membership fees	1 031 743	1 514 976
Telephone and fax	1 634 884	1 707 720
Extinguish material	13 172	17 729
Uniforms	1 157 380	667 717
Community outreach program	1 340 780	1 265 053
Equitable share levy	3 533 946	3 386 965
Valuation costs	1 380 967	2 037 191
Risk and asset management	5 342 888	879 584
Contractor services	18 053 698	10 729 765
Delegation costs	1 314 645	787 143
Other expenses	28 238	-
Capacity building	1 560 325	841 108
Chemicals	1 199 450	1 003 532
Disaster management	258 856	337 826
	<b>88 829 818</b>	<b>50 091 496</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>29. Employee related costs</b>		
Basic	53 068 311	48 222 097
Bonus	3 591 566	2 681 301
Medical aid - company contributions	4 813 664	3 753 432
UIF	488 910	445 348
SDL	702 109	612 558
Leave pay provision charge	117 376	-
Current service costs	2 450 626	2 706 989
Benefits paid	(1 428 000)	(1 181 793)
Post-employment benefits - pension	10 154 604	7 618 384
Overtime payments	5 233 561	4 522 152
Workmens compensation	1 987 404	-
Acting allowances	1 555 906	1 396 722
Transport allowance	5 496 989	3 954 132
Cellphone allowance	784 522	1 159 968
Performance bonus	415 298	64 519
	<b>89 432 846</b>	<b>75 955 809</b>

### Remuneration of municipal manager

Annual remuneration	425 965	-
Car allowance	175 020	-
Contributions to UIF, medical and pension Funds	99 274	-
Other allowances	19 664	-
Cellphone allowance	13 578	-
	<b>733 501</b>	<b>-</b>

The Municipal Manager was appointed on 01 January 2015.

### Remuneration of chief finance officer

Annual remuneration	335 369	633 212
Car allowance	106 622	196 982
Contributions to UIF, medical and pension Funds	90 064	164 042
Cellphone allowances	10 200	20 400
Other allowances	70 947	84 209
Acting allowances	83 982	146 135
	<b>697 185</b>	<b>1 244 979</b>

The Chief Financial Officer was in employment for 6 months during the current year, he resigned on 31 December 2014.

### Remuneration corporate services manager

Annual remuneration	508 037	535 692
Car allowance	192 400	183 790
Contributions to UIF, medical and pension Funds	97 642	10 922
Other allowances	36 148	108 109
Cellphone allowance	15 000	18 173
	<b>849 227</b>	<b>856 687</b>

The Manager Corporate Services was in employment for 10 months, he resigned on 30 April 2015.

### Remuneration of social and community services manager

Annual remuneration	-	272 101
Car allowance	-	93 473



## Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

### Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Contributions to UIF, medical and pension funds	-	60 253
Cellphone allowance	-	10 500
Other allowances	-	143 392
	-	<b>579 719</b>

The Manager Health, Safety and Social Services position was vacant during the current year.

#### Remuneration of planning and economic development manager

Annual remuneration	451 400	-
Car allowance	191 670	-
Contributions to UIF, medical and pension funds	128 090	-
Cellphone Allowance	15 000	-
Other allowances	24 822	-
	<b>810 982</b>	-

The Manager Planning and Economic Development was employed from 01 September 2014.

#### Remuneration of technical services manager

Annual remuneration	-	525 777
Car allowance	-	196 982
Contributions to UIF, medical and pension funds	-	136 188
Cellphone allowance	-	19 500
Other allowance	-	21 606
	-	<b>900 053</b>

The Manager Technical Services position was vacant during the current year.

#### 30. Remuneration of councillors

Mayor	762 768	708 012
Chief Whip	584 170	581 512
Executive Committee Members	1 205 121	826 133
Speaker	634 874	607 614
Councillors	2 710 007	3 078 110
	<b>5 896 940</b>	<b>5 801 381</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### Reconciliation of councillors - 2015

	Position	Annual salary	Travelling allowance	Medical allowance	Other allowances	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data allowance	Total
Nhlapo ML	Mayor-FT	410 505	171 996	44 057	30 502	19 664	61 576	20 868	3 600	762 768
Maluleka SE	Speaker-FT	329 692	137 598	34 474	24 401	34 787	49 454	20 868	3 600	634 873
Radebe RM	Chief Whip - FT	301 665	129 000	42 438	22 877	18 472	45 250	20 868	3 600	584 170
Sesane MJ	EC Member-FT	151 280	-	-	10 857	-	22 692	13 912	2 400	201 141
VD Merwe JF	EC Member-FT	246 779	-	-	12 582	-	37 017	20 868	3 600	320 846
Ngobeni MJ	EC Member-FT	310 137	128 998	31 061	22 877	20 014	46 521	20 868	3 600	584 076
Malete GT	EC Member-FT	79 045	-	-	-	-	11 857	6 956	1 200	99 058
Ras MN	Councillor-PT	179 472	-	-	9 150	-	26 921	20 868	3 600	240 011
Ledwaba MH	Councillor-PT	179 472	-	-	9 150	-	26 921	20 868	3 600	240 011
Hlungwane FS	Councillor-PT	114 462	51 596	23 737	9 704	2 314	17 169	20 868	3 600	243 451
Aphane PM	Councillor-PT	120 309	51 596	20 934	9 150	14 700	18 046	20 868	3 600	259 201
Mokgethoa WKR	Councillor-PT	166 485	63 820	-	16 075	5 328	24 973	20 868	3 600	301 149
Mokonyane TE	Councillor-PT	121 383	46 531	-	4 332	7 706	18 208	15 651	2 700	216 511
Mahlangu PM	Councillor-PT	166 485	63 820	-	16 075	1 938	24 973	20 868	3 600	297 759
Senosha MD	Councillor-PT	167 759	13 473	-	9 150	3 802	25 164	20 868	3 600	243 816
Alberts KB	Councillor-PT	134 612	51 596	-	9 150	16 820	20 191	20 868	3 600	256 837
Mpete LR	Councillor-PT	120 532	-	-	5 083	-	18 080	13 912	2 400	160 007
Sesane MJ	Councillor-PT	61 592	-	-	-	-	9 239	6 956	1 200	78 987
Malete GT	Councillor-PT	103 145	-	-	7 675	-	8 841	12 173	2 100	133 934
Monanyane M	Councillor-PT	22 104	8 472	-	365	-	3 315	3 478	600	38 334
		<b>3 486 915</b>	<b>918 496</b>	<b>196 701</b>	<b>229 155</b>	<b>145 545</b>	<b>516 408</b>	<b>344 322</b>	<b>59 400</b>	<b>5 896 940</b>

### Reconciliation of councillors - 2014

	Position	Annual salary	Travelling allowance	Medical allowance	Other allowances	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data allowance	Total
Hlungwane FS	Mayor-FT	412 042	164 748	21 313	19 409	13 130	64 961	20 287	3 600	719 489
Mononyane MM	Speaker-FT	343 824	131 798	-	15 644	39 291	53 170	20 287	3 600	607 614

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand								2015	2014
Maluleka SE	Chief Whip-FT	296 572	123 564	30 956	14 702	45 067	46 764	20 287	3 600 581 512
Nhlapo ML	EC Member-FT	350 104	52 955	40 401	14 702	-	58 434	20 287	3 600 540 483
Fourie JW	EC Member-FT	211 108	-	15 840	10 590	2 943	27 682	14 187	3 300 285 650
Radebe RM	EC Member-FT	134 750	63 431	44 370	12 191	47 978	19 125	15 926	3 600 341 371
Sesane MJ	Chair Sec 79- PT	220 620	-	-	12 191	-	30 460	15 926	3 600 282 797
Ledwaba MH	Councillor-PT	147 350	28 245	-	10 889	1 708	23 092	15 926	3 600 230 810
Seleka GM	Councillor-PT	128 935	49 425	-	10 590	17 862	20 329	15 926	3 600 246 667
Ngobeni MJ	Councillor-PT	133 860	55 430	23 430	10 590	47 818	21 068	15 926	3 600 311 718
Aphane PM	Councillor-PT	116 222	49 425	17 090	10 590	25 041	19 534	15 926	3 600 257 429
Mokgethoa WKR	Councillor-PT	135 953	41 355	-	10 590	13 896	21 539	15 926	3 600 242 859
Mokonyane TE	Councillor-PT	135 953	41 355	-	10 590	8 296	21 540	15 926	3 600 237 260
Mahlangu PM	Councillor-PT	153 498	21 180	-	10 590	15 259	24 566	15 926	3 600 244 619
VD Merwe JF	Councillor-PT	171 913	-	-	12 709	-	33 065	15 926	3 600 237 213
Boshoff C	Councillor-PT	142 443	-	-	10 590	-	22 908	12 448	3 000 191 389
Alberts KB	Councillor-PT	153 498	21 180	-	10 590	13 141	24 566	15 926	3 600 242 501
		<b>3 388 645</b>	<b>844 091</b>	<b>193 400</b>	<b>207 747</b>	<b>291 430</b>	<b>532 803</b>	<b>282 969</b>	<b>60 300 5 801 381</b>

### In-kind benefits

The mayor, speaker and chief whip are full-time. Each is expected to be provided with an office and secretarial support at the cost of the Council.

### 31. Debt impairment

Debt impairment - traffic fines	1 914 284	23 909 603
Debt impairment - consumer debtors	27 265 705	1 595 100
	<b>29 179 989</b>	<b>25 504 703</b>

### 32. Interest received

#### Interest revenue

Interest received - investment	2 168 448	782 137
Interest charged on trade and other receivables	6 048 999	3 891 386
	<b>8 217 447</b>	<b>4 673 523</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>33. Fair value adjustments</b>		
Investment property (Fair value model)	1 959 918	1 772 020
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	27 593 039	28 883 761
<b>35. Actuarial Gain / (Loss)</b>		
Actuarial gain / (loss) - post-employment medical aid	13 437 934	(9 949 688)
Change in provision for landfill closure	(2 840 257)	(896 081)
Actuarial gain / (loss) - long service award	(1 833 363)	(256 696)
	<b>8 764 314</b>	<b>(11 102 465)</b>
<b>36. Finance costs</b>		
Finance leases	949 401	3 564
Current borrowings	2 280 472	1 208 913
Other interest paid	3 726 680	2 097 139
	<b>6 956 553</b>	<b>3 309 616</b>
<b>37. Auditors' remuneration</b>		
Fees	3 206 430	3 684 594
<b>38. Bulk purchases</b>		
Electricity	65 912 735	52 952 088
Water	6 384 916	6 950 515
	<b>72 297 651</b>	<b>59 902 603</b>
<b>39. Cash generated from operations</b>		
(Deficit) surplus	(44 733 117)	28 021 974
<b>Adjustments for:</b>		
Depreciation and amortisation	27 593 039	28 883 761
Actuarial (gain) loss	(8 764 314)	11 102 465
Fair value adjustments	(1 959 918)	(1 772 020)
Debt impairment	29 179 989	25 504 703
Movements in retirement benefit assets and liabilities	(9 064 000)	13 195 688
Movements in provisions	5 207 000	(2 429 535)
<b>Changes in working capital:</b>		
Inventories	(28 629)	(5 383)
Trade and other receivables from exchange transactions	(806 772)	(12 563)
Consumer debtors from non-exchange transactions	(32 175 697)	(28 650 919)
Consumer debtors from non-exchange transactions	2 759 999	(9 432 338)
Trade and other payables from exchange transactions	49 581 807	(6 658 818)
VAT	(2 639 756)	(3 505 124)
Unspent conditional grants and receipts	(292 682)	292 424
Sundry debtors	916 872	(2 991 533)
Agreements	9 546 609	(2 422 919)
	<b>24 320 430</b>	<b>49 119 863</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 40. Commitments

#### Capital commitments

##### Approved and contracted for

• Property, plant and equipment	15 147 949	18 257 549
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##### Approved but not yet contracted for

• Property, plant and equipment	186 200 000	-
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#### Operational commitments

##### Approved and contracted for

• Summary	109 169 412	7 670 404
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##### Approved but not yet contracted for

• Property, plant and equipment	-	-
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This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	34 157 054	2 608 357
- in second to fifth year inclusive	37 164 648	18 935
	<b>71 321 702</b>	<b>2 627 292</b>

Operating lease payments represent rentals payable by the municipality for motor vehicles that are leased from ABSA Bank and Dikala plant hire, and photocopying machines that are leased from Nashua, Tenderwood and Palesa Tech (Pty) Ltd. Tenderwood trading as Panasonic, Sci-fi and Kinolta Minolta and cash collection device from Fedelity. The operating lease term for motor vehicles is three years and rentals are payable at a fixed rate for the period of the lease term. Lease payments for the photocopying machines are paid at a fixed amount over the lease term. No contingent rent is payable.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	824 508	998 416
- in second to fifth year inclusive	-	-
- later than five years	-	-
	<b>824 508</b>	<b>998 416</b>

The municipality owns properties that are leased out to the employees for the period not exceeding 12 months.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 41. Contingencies

#### 41.1 Contingent liabilities:

1. Nyambeni LR vs Bela-Bela - the value of the claim is R350,000 and it is regarding a disciplinary hearing.
2. Medupi Lehong Incorporated vs Bela Bela (Freddy Hlungwane, O.P. Sebola and M.M. Maluleka) - No date of hearing for the appeal has been received.
3. Molope Abel Ramolotja vs Bela Bela (Freddy Hlungwane, Municipal Council, O.P. Sebola and M.M. Maluleka.
4. Mills vs Bela Bela - Declaration order amounting to R6 000.
5. Bakone Power Con (Pty) Ltd vs Bela Bela - the value of the claim is R1 743 662 and it is regarding compelling the municipality to appoint them as the preferred bidder for tender.

#### 41.2 Contingent assets:

1. Bela-Bela vs Compensation Commissioner. Value of the claim with Compensation Commissioner is R101 108.63.

### 42. Related parties

#### Relationships

Accounting Officer

Refer to accounting officer's report note

Remuneration of key management and councillors

Refer to note 28 & 29

### 43. Prior period errors

1. During the 2015 financial period the municipality conducted a VAT review. The findings of the VAT review indicated that the VAT receivable in the 2014 financial period was understated by R2 881 426.35. South African Revenue Services (SARS) has been notified of this error and the municipality is in process of recovering the amounts due.

2. Provision for leave has been reclassified from provisions to trade and other payables.

3. Change in accounting policy - During the year, the municipality changed its accounting policy with respect to the treatment of non current assets held for sale (GRAP 100). The municipality no longer reclassify property, plant and equipment as non current assets held for sale. The standard now requires assets that are available for sale to be classified as property plant and equipment and be treated as such until date of sale.

4. During the 2014/15 financial year:

4.1 it was determined that the depreciation calculated on assets impaired in the prior financial year was not done so correctly. This was corrected in the current financial year, as a prior period correction.

4.2 it was discovered that expenditure in work in progress (WIP) project was not capital in nature. Expenditure in WIP project, was determined to have already been included in the fixed asset register (FAR), as such the associated expenditure must be reversed. It was determined to reverse the expenditure as a prior period correction, as from the closing balance of WIP for the 2012/13 financial year.

4.3 we have performed a thorough review of the Investment Property (IP) asset register, to ensure that all included items are appropriately classified as such. During this assessment it was determined that two items included in the IP register, were actually (correctly) included in the Property, Plant and Equipment (PPE) asset register. These duplicate items were removed from the IP register. Another item of Investment Property was determined to in fact relate to PPE, and was reclassified as a prior period correction.

4.4 it was discovered that the closing balance for provision for landfill site was incorrectly disclosed and was corrected as a prior period correction.

The correction of the error(s) results in adjustments as follows:

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Statement of financial position</b>		<b>Restated 30 June 2014</b>
VAT		2 881 426
Investment property		(148 261)
Non current assets held for sale		(2 456 902)
Property plant and equipment		1 563 931
Provisions		4 951 409
Trade and other payables		(5 100 892)
<b>Accumulated Surplus</b>		<b>1 690 711</b>

### 44. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality credit profile and diversified funding sources to ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

#### Credit risk

This creditworthiness can mainly be ascribed to three things,

- (i) adequate revenue that supports borrowing
- (ii) reliable financial information, which is necessary for public disclosure, and
- (iii) proper credit ratings.

All three these elements are important to ensure municipal creditworthiness. The municipality faces enormous constraints on all three these elements.

The municipality does not have adequate revenue to support borrowing, mainly due to debt outstanding and the collection is hampered by the poverty levels which increase the indigent book of the municipality. Incentives were implemented to enter into agreement with debtors with intention to write –off 50% of debts owed if 50% is paid within agreed time.

The reliability of financial information is determined by factors such Auditor General's opinion of financial statements which will turn effect credit ratings of municipality

Council took a resolution to pay-off its loan term loan with INCA within next twelve months and the loan is converted into short-term as result of the decision taken. As a result of restructuring the outstanding amount as at 30 June 2015 is R3 278 875 (2014: R11 099 093).

#### Interest rate risk

The municipality's interest rate risk arises from investments at variable rates which exposes the municipality to cash flow interest rate risk. Investment at fixed rates exposes the municipality to fair value interest rate risk. The municipal policy is to not invest with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are call deposits.

Refer to note16 that indicates the breakdown of all the investments.

### 45. Unauthorised expenditure

Opening balance	30 875 995	30 875 995
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# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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The municipality took an exercise of fully comply with GRAP 17 (Property, plant and Equipment). This exercise has led to an increase in depreciation on the adjustment budget which was more than was anticipated. This is non-cash item and it contributed significantly to the R30 875 995 disclosed as unauthorised expenditure.

The municipality further calculated a more realistic debt impairment cost. This resulted into overspending on that line item. Again this is a non-cash item. Therefore the overspending is due to non-cash items.

### 46. Fruitless and wasteful expenditure

Opening balance	617 948	499 458
Fruitless and wasteful expenditure current year	122	118 490
	<b>618 070</b>	<b>617 948</b>

The current year fruitless and wasteful expenditure amounting to R122 emanates from the late payment of invoices to Eskom and Magalies due to late payments.

### 47. Irregular expenditure

Opening balance	49 218 923	42 866 885
Add: Irregular expenditure - current year	-	6 352 038
	<b>49 218 923</b>	<b>49 218 923</b>

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	728 180	1 514 976
Amount paid - current year	(728 180)	(1 514 976)
	-	-

#### Material losses through criminal conduct

Opening balance	855 454	695 785
Current year	3 000	159 669
	<b>858 454</b>	<b>855 454</b>

An amount of R3000 was withdrawn on one of the municipality's bank accounts fraudulently in the current financial year. The case is still on going internally

#### Audit fees

Current year subscription / fee	3 265 682	3 684 594
Amount paid - current year - Note 36	(3 083 462)	(3 621 524)
	<b>182 220</b>	<b>63 070</b>

#### PAYE and UIF

Current year subscription / fee	10 337 970	8 519 633
Amount paid - current year	(9 374 286)	(8 519 633)
	<b>963 684</b>	-



# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Pension and medical aid deductions</b>		
Current year subscription / fee	22 137 742	19 416 582
Amount paid - current year	(20 126 698)	(19 416 582)
	<b>2 011 044</b>	<b>-</b>

### VAT

VAT receivable	5 631 042	2 991 285
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VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

### Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at June 30, 2015:

June 30, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	338	-	338
SE Maluleka	666	-	666
MJ Ngobeni	247	-	247
ML Nhlapo	1 252	-	1 252
JFMP Van Der Merwe	2 221	-	2 221
MJ Sesane	1 548	41	1 589
Hlungwane FS	527	-	527
MH Ledwaba	2 452	12 547	14 999
	<b>9 251</b>	<b>12 588</b>	<b>21 839</b>

June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	195	-	195
MH Ledwaba	834	8 399	9 233
SE Maluleka	869	-	869
MM Monanyane	252	-	252
MJ Sesane	1 326	-	1 326
JFMP Van Der Merwe	10 374	-	10 374
MJ Ngobeni	41	-	41
	<b>13 891</b>	<b>8 399</b>	<b>22 290</b>

During the year all Councillors were informed about the amount owing and were informed that they are in contravention of Scheme B of the Municipal Systems Act

# Bela Bela Local Municipality

Annual Financial Statements for the year ended June 30, 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 49. Deviation from supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances: •

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

	2015	2014
Deviation from SCM regulation	R462 655	R6 523 028

### 50. Distribution Losses

Distributions to owners are from capital surpluses.

Electricity loss is at 20.75% and

Water loss is at 23.38%

2015	Total purchases	Total sales	Total (loss) / gain
Total kilowatts of electricity	90 788 316	71 948 914	(18 839 402)
Total kilolitres of water	3 168 675	2 427 697	(740 978)

### 51. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

**Appendix A**  
June 2015

**Schedule of external loans as at 30 June 2015**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at June 30, 2014</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at June 30, 2015</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
<b>External Loans</b>							
Annuity Loan - INCA	00-0003 and 00-0004	30 September 2015	11 099 093	-	7 820 218	3 278 875	-
			<b>11 099 093</b>	<b>-</b>	<b>7 820 218</b>	<b>3 278 875</b>	<b>-</b>
<b>Total external loans</b>							
External Loans			11 099 093	-	7 820 218	3 278 875	-
			<b>11 099 093</b>	<b>-</b>	<b>7 820 218</b>	<b>3 278 875</b>	<b>-</b>

## Appendix B

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Acc depr Rand	Derecognition - impairment Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Housing (Inc land)	21 819 971	-	-	-	-	-	21 819 971	(15 466 180)	-	-	(390 784)	-	(15 856 964)	5 963 007
Operational buildings	49 237 233	464 900	-	-	-	-	49 702 133	(19 361 702)	-	-	(1 639 066)	-	(21 000 768)	28 701 365
Roads and stormwater	876 356	-	-	-	-	-	876 356	-	-	-	(4 382)	-	(4 382)	871 974
	<b>71 933 560</b>	<b>464 900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72 398 460</b>	<b>(34 827 882)</b>	<b>-</b>	<b>-</b>	<b>(2 034 232)</b>	<b>-</b>	<b>(36 862 114)</b>	<b>35 536 346</b>

#### Infrastructure

Electricity	121 034 184	-	(106 255)	-	-	-	120 927 929	(69 901 151)	98 391	-	(2 924 206)	(2 310)	(72 729 276)	48 198 653
Roads and stormwater network	343 548 132	6 166 505	(889 361)	-	-	-	348 825 276	(140 573 161)	469 002	126 618	(7 036 202)	-	(147 013 743)	201 811 533
Sanitation network	181 009 990	346 135	(68 126)	-	-	-	181 287 999	(113 609 241)	53 845	-	(2 714 848)	-	(116 270 244)	65 017 755
Water supply network	227 957 238	388 895	(342 362)	-	-	-	228 003 771	(127 097 485)	288 496	-	(5 328 392)	-	(132 137 381)	95 866 390
	<b>873 549 544</b>	<b>6 901 535</b>	<b>(1 406 104)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>879 044 975</b>	<b>(451 181 038)</b>	<b>909 734</b>	<b>126 618</b>	<b>(18 003 648)</b>	<b>(2 310)</b>	<b>(468 150 644)</b>	<b>410 894 331</b>

#### Community Assets

Parks & gardens	64 093 453	180 308	(711 201)	-	-	-	63 562 560	(34 247 158)	510 993	-	(1 511 604)	-	(35 247 769)	28 314 791
Recreational facilities	34 448 447	-	(12 149 257)	-	-	-	22 299 190	(24 342 752)	11 169 671	-	(907 030)	-	(14 080 111)	8 219 079
	<b>98 541 900</b>	<b>180 308</b>	<b>(12 860 458)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85 861 750</b>	<b>(58 589 910)</b>	<b>11 680 664</b>	<b>-</b>	<b>(2 418 634)</b>	<b>-</b>	<b>(49 327 880)</b>	<b>36 533 870</b>

## Appendix B

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Acc depr Rand	Derecognition - impairment Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950
	<b>538 950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>538 950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>538 950</b>

#### Specialised vehicles

##### Other assets

General vehicles	9 595 000	-	(9 595 000)	-	-	-	-	(7 658 570)	7 798 312	-	(139 742)	-	-	-
Plant & equipment	1 073 651	55 745	(267 176)	-	-	-	<b>862 220</b>	(732 945)	207 467	-	(143 707)	-	<b>(669 185)</b>	193 035
Furniture & Fittings	3 461 203	536 353	(308 419)	-	-	-	<b>3 689 137</b>	(2 583 414)	272 466	-	(425 482)	-	<b>(2 736 430)</b>	952 707
Office Equipment	3 785 920	11 588 609	(2 264 894)	-	-	-	<b>13 109 635</b>	(2 670 465)	1 945 299	-	(4 350 932)	-	<b>(5 076 098)</b>	8 033 537
Emergency Equipment	78 579	-	(855)	-	-	-	<b>77 724</b>	(43 868)	770	-	(10 156)	-	<b>(53 254)</b>	24 470
Work in progress	10 498 604	41 741 915	-	(7 546 742)	-	-	<b>44 693 777</b>	-	-	-	-	-	-	44 693 777
	<b>28 492 957</b>	<b>53 922 622</b>	<b>(12 436 344)</b>	<b>(7 546 742)</b>	<b>-</b>	<b>-</b>	<b>62 432 493</b>	<b>(13 689 262)</b>	<b>10 224 314</b>	<b>-</b>	<b>(5 070 019)</b>	<b>-</b>	<b>(8 534 967)</b>	<b>53 897 526</b>

## Appendix B

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition - Acc depr Rand	Derecognition - impairment Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	71 933 560	464 900	-	-	-	-	72 398 460	(34 827 882)	-	-	(2 034 232)	-	(36 862 114)	35 536 346
Infrastructure	873 549 544	6 901 535	(1 406 104)	-	-	-	879 044 975	(451 181 038)	909 734	126 618	(18 003 648)	(2 310)	(468 150 644)	410 894 331
Community Assets	98 541 900	180 308	(12 860 458)	-	-	-	85 861 750	(58 589 910)	11 680 664	-	(2 418 634)	-	(49 327 880)	36 533 870
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	28 492 957	53 922 622	(12 436 344)	(7 546 742)	-	-	62 432 493	(13 689 262)	10 224 314	-	(5 070 019)	-	(8 534 967)	53 897 526
	<b>1 073 056 911</b>	<b>61 469 365</b>	<b>(26 702 906)</b>	<b>(7 546 742)</b>	-	-	<b>1 100 276 628</b>	<b>(558 288 092)</b>	<b>22 814 712</b>	<b>126 618</b>	<b>(27 526 533)</b>	<b>(2 310)</b>	<b>(562 875 605)</b>	<b>537 401 023</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers - software & programming	1 617 886	-	-	-	-	-	1 617 886	(133 439)	-	-	(66 508)	-	(199 947)	1 417 939
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	<b>2 263 550</b>	-	-	-	-	-	<b>2 263 550</b>	<b>(133 439)</b>	-	-	<b>(66 508)</b>	-	<b>(199 947)</b>	<b>2 063 603</b>
<b>Investment properties</b>														
Investment property	174 992 701	-	-	-	-	-	174 992 701	-	-	1 959 918	-	-	1 959 918	176 952 619
	<b>174 992 701</b>	-	-	-	-	-	<b>174 992 701</b>	-	-	<b>1 959 918</b>	-	-	<b>1 959 918</b>	<b>176 952 619</b>
<b>Total</b>														
Land and buildings	71 933 560	464 900	-	-	-	-	72 398 460	(34 827 882)	-	-	(2 034 232)	-	(36 862 114)	35 536 346
Infrastructure	873 549 544	6 901 535	(1 406 104)	-	-	-	879 044 975	(451 181 038)	909 734	126 618	(18 003 648)	(2 310)	(468 150 644)	410 894 331
Community Assets	98 541 900	180 308	(12 860 458)	-	-	-	85 861 750	(58 589 910)	11 680 664	-	(2 418 634)	-	(49 327 880)	36 533 870
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	28 492 957	53 922 622	(12 436 344)	(7 546 742)	-	-	62 432 493	(13 689 262)	10 224 314	-	(5 070 019)	-	(8 534 967)	53 897 526
Intangible assets	2 263 550	-	-	-	-	-	2 263 550	(133 439)	-	-	(66 508)	-	(199 947)	2 063 603
Investment properties	174 992 701	-	-	-	-	-	174 992 701	-	-	1 959 918	-	-	1 959 918	176 952 619
	<b>1 250 313 162</b>	<b>61 469 365</b>	<b>(26 702 906)</b>	<b>(7 546 742)</b>	-	-	<b>1 277 532 879</b>	<b>(558 421 531)</b>	<b>22 814 712</b>	<b>2 086 536</b>	<b>(27 593 041)</b>	<b>(2 310)</b>	<b>(561 115 634)</b>	<b>716 417 245</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Housing (Inc land)	21 819 971	-	-	-	-	21 819 971	(15 466 181)	-	-	(464 008)	-	(15 930 189)	5 889 782
Operational buildings	38 329 870	10 907 362	-	-	-	49 237 232	(17 254 478)	-	-	(1 643 215)	-	(18 897 693)	30 339 539
Roads and stormwater	-	876 356	-	-	-	876 356	-	-	-	-	-	-	876 356
	<b>60 149 841</b>	<b>11 783 718</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71 933 559</b>	<b>(32 720 659)</b>	<b>-</b>	<b>-</b>	<b>(2 107 223)</b>	<b>-</b>	<b>(34 827 882)</b>	<b>37 105 677</b>

#### Infrastructure

Electricity network	121 034 184	-	-	-	-	121 034 184	(66 380 958)	-	-	(3 269 961)	(250 232)	(69 901 151)	51 133 033
Roads and stormwater network	341 159 681	2 388 451	-	-	-	343 548 132	(131 905 084)	-	-	(8 534 831)	(133 246)	(140 573 161)	202 974 971
Sanitation network	180 554 586	455 404	-	-	-	181 009 990	(110 694 988)	-	-	(2 914 253)	-	(113 609 241)	67 400 749
Water supply network	227 679 537	277 701	-	-	-	227 957 238	(120 872 565)	-	-	(6 224 922)	-	(127 097 487)	100 859 751
	<b>870 427 988</b>	<b>3 121 556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>873 549 544</b>	<b>(429 853 595)</b>	<b>-</b>	<b>-</b>	<b>(20 943 967)</b>	<b>(383 478)</b>	<b>(451 181 040)</b>	<b>422 368 504</b>

#### Community Assets

Parks & gardens	64 093 453	-	-	-	-	64 093 453	(32 452 979)	-	-	(1 794 179)	-	(34 247 158)	29 846 295
Recreational facilities	33 434 840	1 247 454	(233 847)	-	-	34 448 447	(23 440 138)	-	213 061	(1 115 674)	-	(24 342 751)	10 105 696
	<b>97 528 293</b>	<b>1 247 454</b>	<b>(233 847)</b>	<b>-</b>	<b>-</b>	<b>98 541 900</b>	<b>(55 893 117)</b>	<b>-</b>	<b>213 061</b>	<b>(2 909 853)</b>	<b>-</b>	<b>(58 589 909)</b>	<b>39 951 991</b>

## Appendix B

June 2015

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950
	<b>538 950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>538 950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>538 950</b>

#### Specialised vehicles

#### Other assets

General vehicles	9 595 000	-	-	-	-	-	9 595 000	(5 309 328)	-	-	(1 470 322)	-	(6 779 650)	2 815 350
Plant & equipment	998 195	75 427	-	-	-	-	1 073 622	(536 297)	-	-	(205 205)	-	(741 502)	332 120
Furniture & Fittings	3 307 123	152 958	-	-	-	-	3 460 081	(1 903 167)	-	-	(681 062)	-	(2 584 229)	875 852
Office Equipment	3 042 623	278 617	-	-	-	-	3 321 240	(2 277 244)	-	-	(519 386)	-	(2 796 630)	524 610
Emergency Equipment	49 779	28 800	-	-	-	-	78 579	(30 206)	-	-	(13 662)	-	(43 868)	34 711
Work in progress	11 366 151	15 285 179	(16 152 726)	-	-	-	10 498 604	-	-	-	-	-	-	10 498 604
	<b>28 358 871</b>	<b>15 820 981</b>	<b>(16 152 726)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 027 126</b>	<b>(10 056 242)</b>	<b>-</b>	<b>-</b>	<b>(2 889 637)</b>	<b>-</b>	<b>(12 945 879)</b>	<b>15 081 247</b>



## Appendix B

June 2015

### Analysis of property, plant and equipment as at 30 June 2014

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	60 149 841	11 783 718	-	-	-	-	71 933 559	(32 720 659)	-	-	(2 107 223)	-	(34 827 882)	37 105 677
Infrastructure	870 427 988	3 121 556	-	-	-	-	873 549 544	(429 853 595)	-	-	(20 943 967)	(383 478)	(451 181 040)	422 368 504
Community Assets	97 528 293	1 247 454	(233 847)	-	-	-	98 541 900	(55 893 117)	-	213 061	(2 909 853)	-	(58 589 909)	39 951 991
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	28 358 871	15 820 981	(16 152 726)	-	-	-	28 027 126	(10 056 242)	-	-	(2 889 637)	-	(12 945 879)	15 081 247
	<b>1 057 003 943</b>	<b>31 973 709</b>	<b>(16 386 573)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 072 591 079</b>	<b>(528 523 613)</b>	<b>-</b>	<b>213 061</b>	<b>(28 850 680)</b>	<b>(383 478)</b>	<b>(557 544 710)</b>	<b>515 046 369</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers - software & programming	1 539 578	78 308	-	-	-	-	1 617 886	(98 567)	-	-	(34 872)	-	(133 439)	1 484 447
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	<b>2 185 242</b>	<b>78 308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 263 550</b>	<b>(98 567)</b>	<b>-</b>	<b>-</b>	<b>(34 872)</b>	<b>-</b>	<b>(133 439)</b>	<b>2 130 111</b>
<b>Investment properties</b>														
Investment property	173 368 943	-	-	-	-	-	173 368 943	-	1 623 759	-	-	-	1 623 759	174 992 702
	<b>173 368 943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173 368 943</b>	<b>-</b>	<b>1 623 759</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 623 759</b>	<b>174 992 702</b>
<b>Total</b>														
Land and buildings	60 149 841	11 783 718	-	-	-	-	71 933 559	(32 720 659)	-	-	(2 107 223)	-	(34 827 882)	37 105 677
Infrastructure	870 427 988	3 121 556	-	-	-	-	873 549 544	(429 853 595)	-	-	(20 943 967)	(383 478)	(451 181 040)	422 368 504
Community Assets	97 528 293	1 247 454	(233 847)	-	-	-	98 541 900	(55 893 117)	-	213 061	(2 909 853)	-	(58 589 909)	39 951 991
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	28 358 871	15 820 981	(16 152 726)	-	-	-	28 027 126	(10 056 242)	-	-	(2 889 637)	-	(12 945 879)	15 081 247
Intangible assets	2 185 242	78 308	-	-	-	-	2 263 550	(98 567)	-	-	(34 872)	-	(133 439)	2 130 111
Investment properties	173 368 943	-	-	-	-	-	173 368 943	-	1 623 759	-	-	-	1 623 759	174 992 702
	<b>1 232 558 128</b>	<b>32 052 017</b>	<b>(16 386 573)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 248 223 572</b>	<b>(528 622 180)</b>	<b>1 623 759</b>	<b>213 061</b>	<b>(28 885 552)</b>	<b>(383 478)</b>	<b>(556 054 390)</b>	<b>692 169 182</b>

## Appendix C

June 2015

### Segmental analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Derecognition Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Derecognition Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Land and buildings	72 472 510	464 900	-	-	-	-	<b>72 937 410</b>	(34 827 883)	-	-	(2 034 232)	-	<b>(36 862 115)</b>	36 075 295
Comm. & Social / Libraries and archives	64 093 453	180 308	(711 201)	-	-	-	<b>63 562 560</b>	(34 247 158)	510 993	-	(1 511 604)	-	<b>(35 247 769)</b>	28 314 791
Sport and Recreation	34 448 447	-	(12 149 257)	-	-	-	<b>22 299 190</b>	(24 342 752)	11 169 671	-	(907 030)	-	<b>(14 080 111)</b>	8 219 079
Electricity / Electricity Distribution	121 034 184	-	(106 255)	-	-	-	<b>120 927 929</b>	(69 901 151)	98 391	-	(2 924 206)	(2 310)	<b>(72 729 276)</b>	48 198 653
Road Transport / Road	343 548 132	6 166 505	(889 361)	-	-	-	<b>348 825 276</b>	(140 573 161)	469 002	-	(7 036 202)	126 618	<b>(147 013 743)</b>	201 811 533
Waste Water Management / Sewerage	181 009 990	346 135	(68 126)	-	-	-	<b>181 287 999</b>	(113 609 241)	53 845	-	(2 714 848)	-	<b>(116 270 244)</b>	65 017 755
Water / Water Distribution	227 957 238	388 895	(342 362)	-	-	-	<b>228 003 771</b>	(127 097 485)	288 496	-	(5 328 392)	-	<b>(132 137 381)</b>	95 866 390
Other	28 492 957	53 922 622	(12 436 344)	(7 546 742)	-	-	<b>62 432 493</b>	(13 689 262)	10 224 314	-	(5 070 019)	-	<b>(8 534 967)</b>	53 897 526
	<b>1 073 056 911</b>	<b>61 469 365</b>	<b>(26 702 906)</b>	<b>(7 546 742)</b>	-	-	<b>1 100 276 628</b>	<b>(558 288 093)</b>	<b>22 814 712</b>	-	<b>(27 526 533)</b>	<b>124 308</b>	<b>(562 875 606)</b>	<b>537 401 022</b>
<b>Municipal Owned Entities</b>														
<b>Total</b>														
Municipality	1 073 056 911	61 469 365	(26 702 906)	(7 546 742)	-	-	<b>1 100 276 628</b>	(558 288 093)	22 814 712	-	(27 526 533)	124 308	<b>(562 875 606)</b>	537 401 022
	<b>1 073 056 911</b>	<b>61 469 365</b>	<b>(26 702 906)</b>	<b>(7 546 742)</b>	-	-	<b>1 100 276 628</b>	<b>(558 288 093)</b>	<b>22 814 712</b>	-	<b>(27 526 533)</b>	<b>124 308</b>	<b>(562 875 606)</b>	<b>537 401 022</b>

## Appendix D

June 2015

### Segmental Statement of Financial Performance for the year ended Current Year Prior Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
-	13 573 770	(13 573 770)	Executive & Council/Mayor and Council	-	13 078 907	(13 078 907)
114 768 799	95 070 594	19 698 205	Finance & Admin/Finance	118 331 145	96 670 817	21 660 328
197 229	6 901 611	(6 704 382)	Planning and Development/Economic Development/Plan	142 334	5 180 189	(5 037 855)
1 684 978	9 115 367	(7 430 389)	Comm. & Social/Libraries and archives	258 264	9 446 775	(9 188 511)
7 766 043	10 051 281	(2 285 238)	Waste Water Management/Sewerage	7 573 353	7 590 229	(16 876)
24 700 872	11 070 790	13 630 082	Road Transport/Roads	16 836 771	10 182 169	6 654 602
30 071 152	24 477 531	5 593 621	Water/Water Distribution	30 115 912	21 957 854	8 158 058
99 827 233	155 486 885	(55 659 652)	Electricity /Electricity Distribution	126 225 989	107 354 852	18 871 137
<b>279 016 306</b>	<b>325 747 829</b>	<b>(46 731 523)</b>		<b>299 483 768</b>	<b>271 461 792</b>	<b>28 021 976</b>
<b>Municipal Owned Entities Other charges</b>						
279 016 306	325 747 829	(46 731 523)	Municipality	299 483 768	271 461 792	28 021 976
<b>279 016 306</b>	<b>325 747 829</b>	<b>(46 731 523)</b>	<b>Total</b>	<b>299 483 768</b>	<b>271 461 792</b>	<b>28 021 976</b>

# Appendix E(1)

June 2015

## Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Forecast # 1 2015 Act. Bal.	Forecast # 1 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand				
<b>Revenue</b>					
Property rates	54 228 731	53 798 934	429 797	0.8	
Service charges	113 075 094	139 535 292	(26 460 198)	(19.0)	Water and electricity losses - Refer to note 26. Refuse revenue - increase in collection points
Rental of facilities and equipment	1 113 795	1 616 264	(502 469)	(31.1)	Higher vacancy rate
Licences and permits	9 386 743	10 000 000	(613 257)	(6.1)	
Government Grants and subsidies	84 130 870	84 098 200	32 670	-	
Administration and management fees received	1 049 660	1 324 986	(275 326)	(20.8)	Below anticipated revenue earned (Non billind revenue, dependant of customers request)
Commissions received	72 982	16 368	56 614	345.9	Above anticipated revenue earned (Non billind revenue, dependant of customers request)
Royalties received	-	-	-	-	
Donation recieved	32 000	31 680	320	1.0	
Other income	6 763 475	14 480 616	(7 717 141)	(53.3)	Below anticipated revenue earned (Non billind revenue, dependant of customers request)
Town planning schemes	194 299	200 000	(5 701)	(2.9)	
Fines	3 399 604	6 000 000	(2 600 396)	(43.3)	Mulfanctioning speed cameras for major part of the financial year
Gain (loss) on disposal of assets	(1 489 858)	6 000 000	(7 489 858)	(124.8)	Disposals at below book value
Other income 2	-	-	-	-	
Interest received	8 217 446	12 332 960	(4 115 514)	(33.4)	Decrease in debtors book due to indigents write off and incintive scheme
	280 174 841	329 435 300	(49 260 459)	(15.0)	
<b>Expenses</b>					
Personnel	(89 435 547)	(92 767 226)	3 331 679	(3.6)	
Remuneration of councillors	(5 896 939)	(6 643 868)	746 929	(11.2)	Vacancy
Depreciation	(27 593 039)	(27 600 727)	7 688	-	
Impairments	-	-	-	-	
Finance costs	(6 956 553)	(7 500 000)	543 447	(7.2)	Restruturing of long term loan
Debt impairment	(29 179 989)	(29 213 797)	33 808	(0.1)	
Repairs and maintenance	(14 445 200)	(17 863 994)	3 418 794	(19.1)	Cost containment measures Implemented
Bulk purchases	(72 297 650)	(72 523 600)	225 950	(0.3)	
General Expenses	(89 827 273)	(100 324 020)	10 496 747	(10.5)	Cost containment measures Implemented
	(335 632 190)	(354 437 232)	18 805 042	(5.3)	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	8 764 314	-	8 764 314	-	
Fair value adjustments	1 959 918	-	1 959 918	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
	10 724 232	-	10 724 232	-	
Net surplus/ (deficit) for the year	(44 733 117)	(25 001 932)	(19 731 185)	78.9	

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
			Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Equitable Share	National Treasury	-	21 507	18 110	14 715	-	-	-	-	-	-	-	-	-	-	-	Yes		
EPWP	National Treasury	-	449	337	337	-	-	156	522	192	253	-	-	-	-	-	Yes		
MIG	National Treasury	-	10 115	6 254	5 824	-	-	5 090	7 102	3 010	6 991	-	-	-	-	-	Yes		
FMG	National Treasury	-	1 600	-	-	-	-	1 353	247	-	-	-	-	-	-	-	Yes		
MSIG	National Treasury	-	934	-	-	-	-	420	513	-	-	-	-	-	-	-	Yes		
DWARF	National Treasury	-	-	1 000	-	-	-	-	505	285	210	-	-	-	-	-			
		-	34 605	25 701	20 876	-	-	7 019	8 889	3 487	7 454	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended June 30, 2015**

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>															
<b>Governance and administration</b>	<b>142 125 354</b>	<b>(1 195 613)</b>	<b>140 929 741</b>	-		<b>140 929 741</b>	<b>117 702 456</b>		<b>(23 227 285)</b>	<b>84 %</b>	<b>83 %</b>				<b>119 502 722</b>
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	140 363 186	(1 195 613)	139 167 573	-		139 167 573	116 465 956		(22 701 617)	84 %	83 %				118 331 145
Corporate services	1 762 168	-	1 762 168	-		1 762 168	1 236 500		(525 668)	70 %	70 %				1 171 577
<b>Community and public safety</b>	<b>17 004 579</b>	<b>258 856</b>	<b>17 263 435</b>	-		<b>17 263 435</b>	<b>15 000 558</b>		<b>(2 262 877)</b>	<b>87 %</b>	<b>88 %</b>				<b>39 731 968</b>
Community and social services	366 352	258 856	625 208	-		625 208	1 684 978		1 059 770	270 %	460 %				258 264
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	16 638 227	-	16 638 227	-		16 638 227	13 315 580		(3 322 647)	80 %	80 %				39 473 704
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Economic and environmental services</b>	<b>23 550 836</b>	-	<b>23 550 836</b>	-		<b>23 550 836</b>	<b>24 898 101</b>		<b>1 347 265</b>	<b>106 %</b>	<b>106 %</b>				<b>16 979 105</b>
Planning and development	232 836	-	232 836	-		232 836	197 229		(35 607)	85 %	85 %				142 334
Road transport	23 318 000	-	23 318 000	-		23 318 000	24 700 872		1 382 872	106 %	106 %				16 836 771
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Trading services</b>	<b>146 641 288</b>	<b>1 000 000</b>	<b>147 641 288</b>	-		<b>147 641 288</b>	<b>123 128 349</b>		<b>(24 512 939)</b>	<b>83 %</b>	<b>84 %</b>				<b>123 269 973</b>
Electricity	108 317 931	-	108 317 931	-		108 317 931	85 291 154		(23 026 777)	79 %	79 %				85 580 708
Water	31 789 388	1 000 000	32 789 388	-		32 789 388	30 071 152		(2 718 236)	92 %	95 %				30 115 912
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	6 533 969	-	6 533 969	-		6 533 969	7 766 043		1 232 074	119 %	119 %				7 573 353
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>				<b>-</b>
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Total Revenue - Standard</b>	<b>329 322 057</b>	<b>63 243</b>	<b>329 385 300</b>	<b>-</b>		<b>329 385 300</b>	<b>280 729 464</b>		<b>(48 655 836)</b>	<b>85 %</b>	<b>85 %</b>				<b>299 483 768</b>

**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended June 30, 2015**

	2015/2014					2014/2013									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>133 441 065</b>	<b>58 168 118</b>	<b>191 609 183</b>	-	-	<b>191 609 183</b>	<b>170 000 009</b>	-	<b>(21 609 174)</b>	<b>89 %</b>	<b>127 %</b>	-	-	-	<b>139 576 874</b>
Executive and council	19 119 162	(492 639)	18 626 523	-	-	18 626 523	13 572 342	-	(5 054 181)	73 %	71 %	-	-	-	13 078 906
Budget and treasury office	69 740 911	34 857 034	104 597 945	-	-	104 597 945	94 792 731	-	(9 805 214)	91 %	136 %	-	-	-	96 670 817
Corporate services	44 580 992	23 803 723	68 384 715	-	-	68 384 715	61 634 936	-	(6 749 779)	90 %	138 %	-	-	-	29 827 151
<b>Community and public safety</b>	<b>24 942 711</b>	<b>179 610</b>	<b>25 122 321</b>	-	-	<b>25 122 321</b>	<b>24 763 264</b>	-	<b>(359 057)</b>	<b>99 %</b>	<b>99 %</b>	-	-	-	<b>23 670 541</b>
Community and social services	10 712 984	(1 091 840)	9 621 144	-	-	9 621 144	9 115 367	-	(505 777)	95 %	85 %	-	-	-	9 446 775
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	14 229 727	1 271 450	15 501 177	-	-	15 501 177	15 647 897	-	146 720	101 %	110 %	-	-	-	14 223 766
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	<b>20 724 851</b>	<b>(214 419)</b>	<b>20 510 432</b>	-	-	<b>20 510 432</b>	<b>17 972 401</b>	-	<b>(2 538 031)</b>	<b>88 %</b>	<b>87 %</b>	-	-	-	<b>15 362 358</b>
Planning and development	8 542 106	18 278	8 560 384	-	-	8 560 384	6 901 611	-	(1 658 773)	81 %	81 %	-	-	-	5 180 189
Road transport	12 182 745	(232 697)	11 950 048	-	-	11 950 048	11 070 790	-	(879 258)	93 %	91 %	-	-	-	10 182 169
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Trading services</b>	<b>117 820 823</b>	<b>(675 527)</b>	<b>117 145 296</b>	-	-	<b>117 145 296</b>	<b>112 734 292</b>	-	<b>(4 411 004)</b>	<b>96 %</b>	<b>96 %</b>	-	-	-	<b>92 852 019</b>
Electricity	82 896 349	(2 306 000)	80 590 349	-	-	80 590 349	78 205 480	-	(2 384 869)	97 %	94 %	-	-	-	63 303 936
Water	24 248 202	1 618 738	25 866 940	-	-	25 866 940	24 477 531	-	(1 389 409)	95 %	101 %	-	-	-	21 957 854
Waste water management	-	-	-	-	-	-	53 704	-	53 704	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	10 676 272	11 735	10 688 007	-	-	10 688 007	9 997 577	-	(690 430)	94 %	94 %	-	-	-	7 590 229
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>296 929 450</b>	<b>57 457 782</b>	<b>354 387 232</b>	<b>-</b>	<b>-</b>	<b>354 387 232</b>	<b>325 469 966</b>	<b>-</b>	<b>(28 917 266)</b>	<b>92 %</b>	<b>110 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>271 461 792</b>
<b>Surplus/(Deficit) for the year</b>	<b>32 392 607</b>	<b>(57 394 539)</b>	<b>(25 001 932)</b>	<b>-</b>		<b>(25 001 932)</b>	<b>(44 740 502)</b>		<b>(19 738 570)</b>	<b>179 %</b>	<b>(138)%</b>				<b>28 021 976</b>

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended June 30, 2015**

	2015/2014							2014/2013							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	59 401 097	(5 602 163)	53 798 934	-		53 798 934	54 228 731		429 797	101 %	91 %				53 068 691
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	103 517 296	(5 004)	103 512 292	-		103 512 292	84 201 376		(19 310 916)	81 %	81 %				84 137 611
Service charges - water revenue	24 433 076	(2 287 151)	22 145 925	-		22 145 925	17 522 872		(4 623 053)	79 %	72 %				18 779 700
Service charges - sanitation revenue	7 310 218	(1 930 846)	5 379 372	-		5 379 372	5 882 285		502 913	109 %	80 %				6 816 399
Service charges - refuse revenue	6 490 409	(1 994 513)	4 495 896	-		4 495 896	5 468 562		972 666	122 %	84 %				6 029 531
Service charges - other	4 001 806	-	4 001 806	-		4 001 806	1 000 196		(3 001 610)	25 %	25 %				-
Rental of facilities and equipment	1 616 264	-	1 616 264	-		1 616 264	1 113 795		(502 469)	69 %	69 %				978 896
Interest earned - external investments	375 936	1 624 064	2 000 000	-		2 000 000	2 168 448		168 448	108 %	577 %				782 137
Interest earned - outstanding debtors	10 332 960	-	10 332 960	-		10 332 960	6 048 999		(4 283 961)	59 %	59 %				3 891 386
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	-	6 000 000	6 000 000	-		6 000 000	3 399 604		(2 600 396)	57 %	DIV/0 %				29 904 329
Licences and permits	10 000 000	-	10 000 000	-		10 000 000	9 386 743		(613 257)	94 %	94 %				9 122 563
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised	83 098 200	1 000 000	84 098 200	-		84 098 200	84 130 870		32 670	100 %	101 %				80 417 666
Other revenue	18 794 795	(2 741 144)	16 053 651	-		16 053 651	5 622 360		(10 431 291)	35 %	30 %				5 554 858
Gains on disposal of PPE	-	6 000 000	6 000 000	-		6 000 000	-		(6 000 000)	- %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	329 372 057	63 243	329 435 300	-		329 435 300	280 174 841		(49 260 459)	85 %	85 %				299 483 767



**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended June 30, 2015**

2015/2014										2014/2013				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	91 493 526	(34 174)	91 459 352	-	1 307 874	92 767 226	89 435 547	(3 331 679)	96 %	98 %	-	-	-	75 955 808
Remuneration of councillors	5 955 742	-	5 955 742	-	688 126	6 643 868	5 896 940	(746 928)	89 %	99 %	-	-	-	5 801 382
Debt impairment	10 000 000	32 000 000	42 000 000	-	(12 786 203)	29 213 797	29 179 989	(33 808)	100 %	292 %	-	-	-	25 504 703
Depreciation & asset impairment	12 040 000	18 000 000	30 040 000	-	(2 439 272)	27 600 728	27 593 039	(7 689)	100 %	229 %	-	-	-	28 883 761
Finance charges	3 100 000	(2 000 000)	1 100 000	-	6 400 000	7 500 000	6 956 553	(543 447)	93 %	224 %	-	-	-	3 309 616
Bulk purchases	73 063 600	-	73 063 600	-	(540 000)	72 523 600	72 297 651	(225 949)	100 %	99 %	-	-	-	59 902 603
Other materials	19 778 175	(1 577 312)	18 200 863	-	(336 869)	17 863 994	14 445 200	(3 418 794)	81 %	73 %	-	-	-	12 277 714
Contracted services	24 923 574	8 721 639	33 645 213	-	4 962 603	38 607 816	31 982 360	(6 625 456)	83 %	128 %	-	-	-	22 715 625
Fair value adjustments	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	56 624 833	4 240 606	60 865 439	-	850 764	61 716 203	57 844 911	(3 871 292)	94 %	102 %	-	-	-	27 780 137
Loss on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital expenditure	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure</b>	<b>296 979 450</b>	<b>59 350 759</b>	<b>356 330 209</b>	<b>-</b>	<b>(1 892 977)</b>	<b>354 437 232</b>	<b>335 632 190</b>	<b>(18 805 042)</b>	<b>95 %</b>	<b>113 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262 131 349</b>
<b>Surplus/(Deficit)</b>	<b>32 392 607</b>	<b>(59 287 516)</b>	<b>(26 894 909)</b>	<b>-</b>	<b>1 892 977</b>	<b>(25 001 932)</b>	<b>(55 457 349)</b>	<b>(30 455 417)</b>	<b>222 %</b>	<b>(171)%</b>				<b>37 352 418</b>
Fair value adjustments	-	-	-	-	-	1 959 918	1 959 918	1 959 918	DIV/0 %	DIV/0 %				1 772 020
Actuarial Gain / (Loss)	-	-	-	-	-	8 764 314	8 764 314	8 764 314	DIV/0 %	DIV/0 %				(11 102 465)
	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>32 392 607</b>	<b>(59 287 516)</b>	<b>(26 894 909)</b>	<b>-</b>	<b>(26 894 909)</b>	<b>(44 733 117)</b>	<b>(17 838 208)</b>	<b>(17 838 208)</b>	<b>166 %</b>	<b>(138)%</b>				<b>28 021 973</b>
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) after taxation</b>	<b>32 392 607</b>	<b>(59 287 516)</b>	<b>(26 894 909)</b>	<b>-</b>	<b>(26 894 909)</b>	<b>(44 733 117)</b>	<b>(17 838 208)</b>	<b>(17 838 208)</b>	<b>166 %</b>	<b>(138)%</b>				<b>28 021 973</b>
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>32 392 607</b>	<b>(59 287 516)</b>	<b>(26 894 909)</b>	<b>-</b>	<b>(26 894 909)</b>	<b>(44 733 117)</b>	<b>(17 838 208)</b>	<b>(17 838 208)</b>	<b>166 %</b>	<b>(138)%</b>				<b>28 021 973</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) for the year</b>	<b>32 392 607</b>	<b>(59 287 516)</b>	<b>(26 894 909)</b>	<b>-</b>	<b>(26 894 909)</b>	<b>(44 733 117)</b>	<b>(17 838 208)</b>	<b>(17 838 208)</b>	<b>166 %</b>	<b>(138)%</b>				<b>28 021 973</b>